

# 2022 Supplemental CEO Value Index

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AUTHORS:

**Simon Patterson, Deirdre Murrow**

***Rem.n***  
Remuneration Associates

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# Foreword

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## CEO Value Index 2022

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The CEO Value index is produced by us on an annual basis and the 2022 CEO Value Index was published in early January 2023

## Addressing the Unavoidable Time-lag

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As we noted then, there was an unavoidable time-lag in the production of that version of the report and the Value Added components [which includes change in the Market Capitalisation ('Market Cap')], were measured up to the end of 2021.

For keen observers, one of the top performers identified in the 2022 Index was - most notably - Just Eat plc. The subsequent demise of this company in the past year pointed us toward the need for a rapid update. Just Eat's dramatic fall in share price, from Q4 2021 to Q4 2022, raised some questions in our minds on the timing of our analysis, given the timeframe of the global pandemic.

We were curious – what if we look at the current FTSE 100 and consider their more recent financial performance, will the Index change?

## The results are interesting

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We have created a 2022 Supplemental CEO Index report which looks at only the current FTSE 100 and re-calculates the Index over a 4 year period up to the end of 2022.

We will be publishing our 2023 CEO Value Index in Q3 2023. It will be interesting to understand the impact of the post-covid remuneration windfall payouts and the extent that the current turbulence in the Financial sector is reflected in the CEO Value Index.

**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 Supplemental CEO Value Index Top 10

The 2022 Supplemental CEO Value Index reviewed the FTSE 100 companies as defined at 31st December 2022. Of those reviewed, 28% lost value over the period and 5% delivered more than £1,000 for every £1 paid to the CEO. The following table shows the top performers of the 2022 Supplemental Index period, i.e. the companies with the highest CEO Value Index, ‘the best value CEOs’, highlighting the change from the original 2022 Index and the current FTSE 100 ranking.

2022 SUP RANK	COMPANY NAME	INDUSTRY SECTOR	2022 RANK	CHANGE IN INDEX	FTSE 100 RANK	COMMENTARY
1	Glencore plc	Materials	30	↑	9	<ul style="list-style-type: none"> <li>• New Entrant to the Top 10</li> <li>• Reflects the continued growth from last half of 2020</li> </ul>
2	Rio Tinto Group	Materials	1	↓	7	<ul style="list-style-type: none"> <li>• Consistently in Top 10</li> <li>• Although now No. 2, the Index value actually increased by 30%</li> </ul>
3	AstraZeneca PLC	Health Care	5	↑	2	<ul style="list-style-type: none"> <li>• Consistently in Top 10</li> <li>• Continues to perform – Index value increased by 20%</li> </ul>
4	London Stock Exchange Group plc	Financials	4	=	15	<ul style="list-style-type: none"> <li>• Consistently in Top 10</li> <li>• No change!</li> </ul>
5	Diageo plc	Consumer Staples	6	↑	6	<ul style="list-style-type: none"> <li>• Consistently in Top 10</li> <li>• Index value actually lower by 10%</li> </ul>
6	British American Tobacco p.l.c.	Consumer Discretionary	NVA*	↑	8	<ul style="list-style-type: none"> <li>• New entrant in Top 10</li> <li>• Reflects the shift in the calculation period away from the 2 year negative growth 2017/18</li> </ul>
7	SSE plc	Energy and Utilities	17	↑	27	<ul style="list-style-type: none"> <li>• New entrant in Top 10</li> <li>• Steady growth which is reflected in 26% increase in Index value</li> </ul>
8	Unilever PLC	Consumer Staples	41	↑	4	<ul style="list-style-type: none"> <li>• Following over 2 years of decline in growth 2020/22, positive growth from Q3 2022</li> <li>• 130% increase in Index value</li> </ul>
9	GSK plc	Health Care	12	↑	10	<ul style="list-style-type: none"> <li>• Return to the Top 10</li> <li>• Minor reduction in Index value (14%)</li> </ul>
10	Flutter Entertainment plc	Consumer Discretionary	14	↑	25	<ul style="list-style-type: none"> <li>• New entrant to Top 10</li> <li>• No actual change in Index value – only the ranking</li> </ul>

\*NVA = Negative Value Add (and so no Index calculation)

# The Fallen...

The 2022 Supplemental CEO Value Index reviewed the FTSE 100 companies as defined at 31st December 2022.

The following table identifies those companies that are no longer in the Top 10:

2022 SUP RANK	COMPANY NAME	INDUSTRY SECTOR	2022 RANK	CHANGE IN INDEX	FTSE 100 RANK	COMMENTARY
Left	Just Eat Takeaway.com N.V.	Consumer Discretionary	2	NA	NA	<ul style="list-style-type: none"> <li>Large fall in share price during 2021/22 – 77% drop in Market Cap in 12 months</li> <li>No longer on LSE and FTSE 100 as of end of 2022 –now only listed on Euronext Amsterdam</li> </ul>
Left	BHP Group Limited	Materials	3	NA	NA	<ul style="list-style-type: none"> <li>Consistently in the Top 10.</li> <li>Previously dual listed</li> <li>Removal from Index Top 10 purely due to solely listing on ASX</li> </ul>
17	Admiral Group plc	Financials	7	↓	58	<ul style="list-style-type: none"> <li>Impact of CEO Remuneration of new CEO in Jan 2021</li> <li>After Market Cap peak in Q3 2021, subsequently in negative growth</li> <li>CEO Value Index reduced by 50%</li> </ul>
NVA	Melrose Industries PLC	Industrials	8	↓	63	<ul style="list-style-type: none"> <li>Included in 2022 Index due to a significantly large LTI paid in 2017 no longer included in rolling 4 year CEO Remuneration.</li> <li>Now excluded due to steady negative growth following peak in Q2 2021</li> </ul>
15	Kainos Group plc	Information Technology	9	↓	FTSE250	<ul style="list-style-type: none"> <li>Only company from the FTSE 250 featuring in Top 10 in 2022 Index</li> <li>Reduced Value Added in revised calculation period</li> <li>CEO Value Index reduced by 30%</li> </ul>
14	Ashtead Group plc	Industrials	10	↓	24	<ul style="list-style-type: none"> <li>Reduced Value Added in revised calculation period</li> <li>CEO Value Index reduced by 30%</li> </ul>

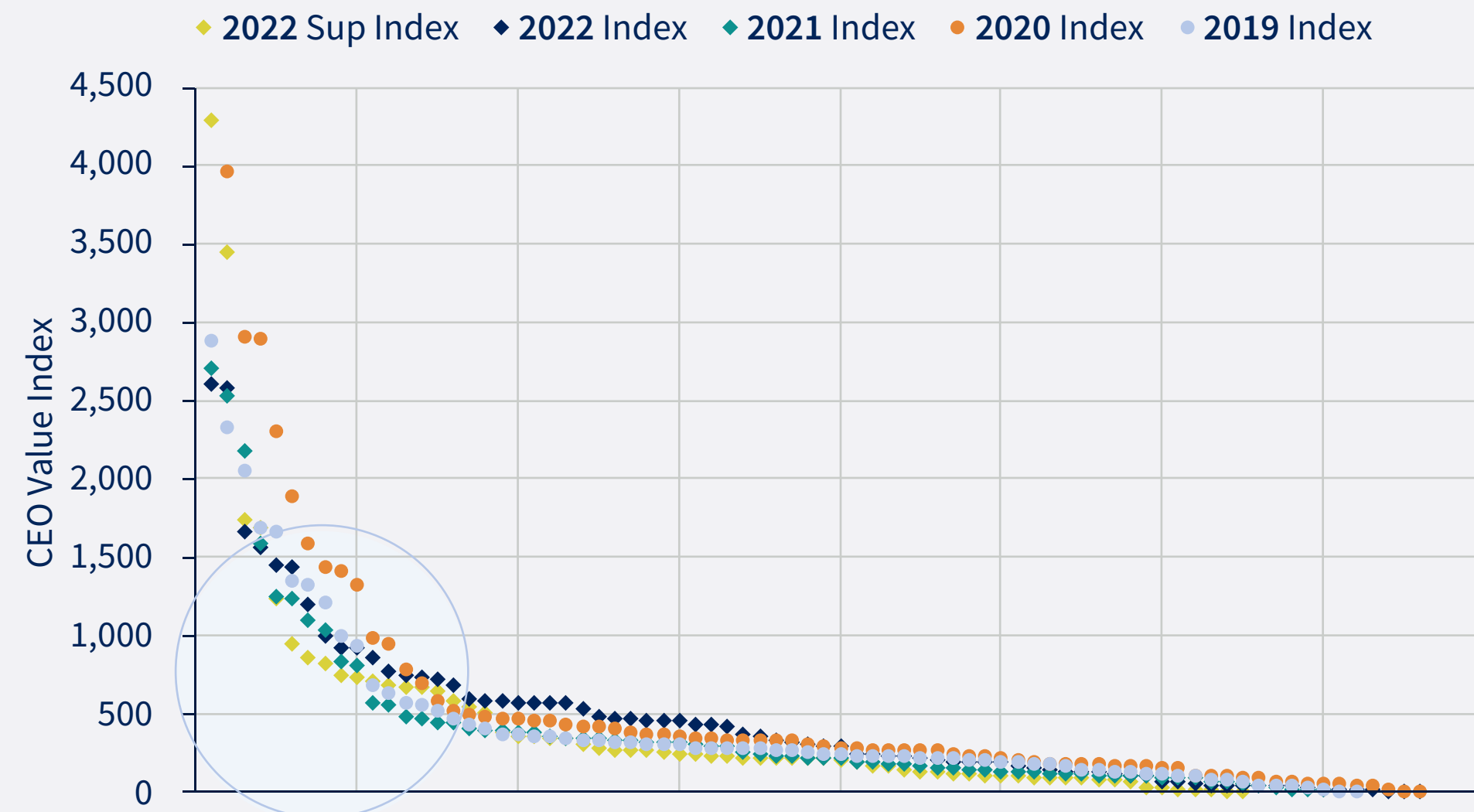
\*NVA = Negative Value Add (and so no Index calculation)

# 2022 CEO Value Index - FTSE 100

The graph below [Fig4] shows the Value Index scores of all the FTSE 100 companies included in the last five cycles of the CEO Value Index.

The supplemental Index has shown an interesting result. Whereas the 2022 decreased at the top and the mid-pack companies performed well [Fig. 4], the Supplemental Index is similar to the 2020 Index with a few companies scoring highly but the remaining Index are lower overall. The 2022 Index also shows a much larger spread of values with a lower median value than we have seen since 2019.

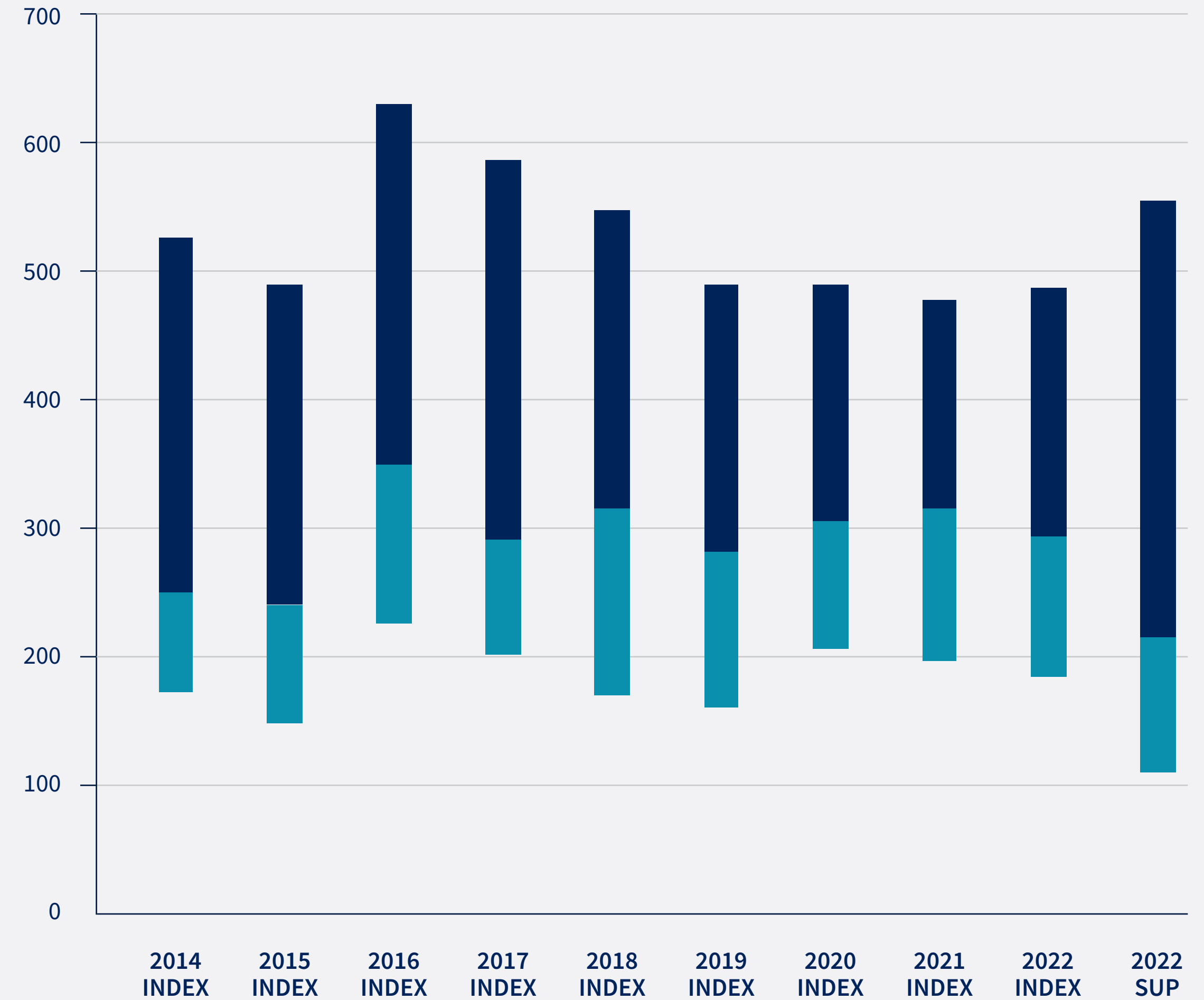
**Fig.4 FTSE 100 CEO Value Index**



**Fig.5**

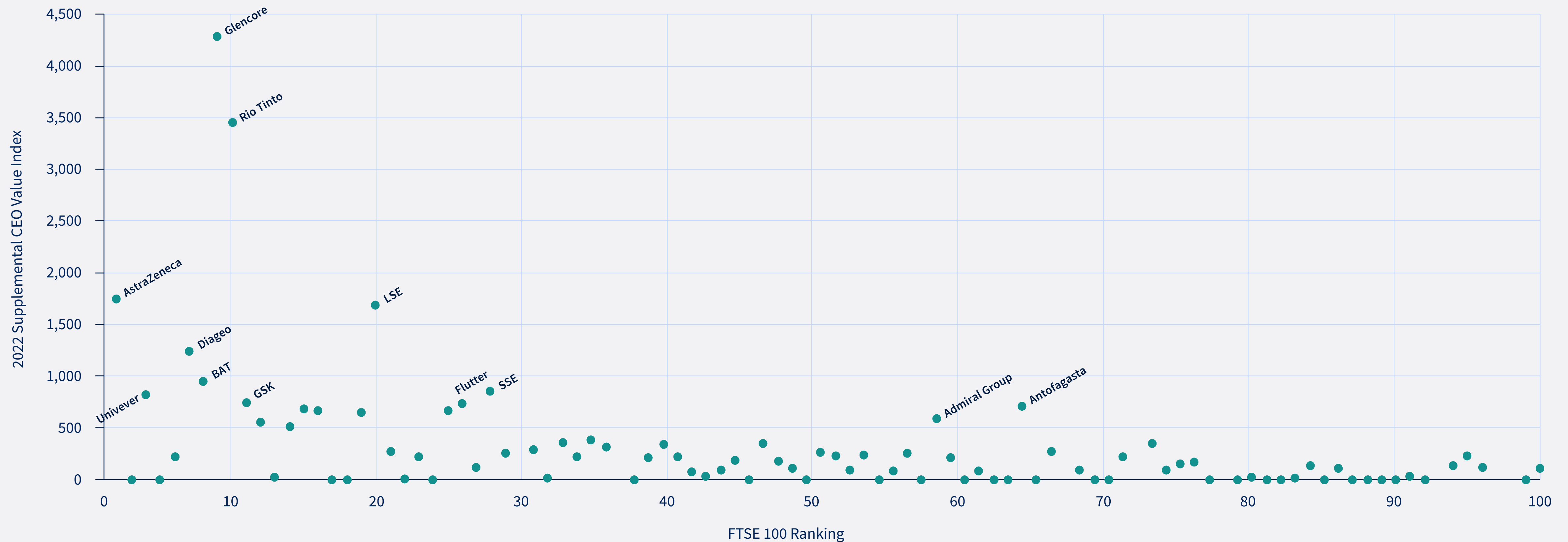
FTSE 100 CEO Value Index: Quartile Analysis

KEY  
 Upper Quartile  
 Median  
 Lower Quartile



# Summary: Overview of 2022 Sup. CEO Value Index by FTSE Rank

Fig.6 - 2022 Supplemental CEO Value Index - by FTSE 100 Ranking



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

# Summary of our findings

## 1

**The ‘winners’, in terms of the value added per £1 of remuneration, tend to be the largest companies.**

The 10 top companies in the CEO Value Index rankings are all within the FTSE30 and 7 out of the FTSE10. The 3 notable exceptions from the FTSE10 companies, are those with negative or low Value Added over the 4 year period (Shell, BP and HSBC).

This reflects a reality that the CEO of any very large company must guide ‘the ship’ across four years of far from plain sailing, but when that large ship does arrive...it often unloads considerably more Total Value Added than smaller peers. Hence, Index values tend to be more favourable, reflecting the realities of running a large vs a small enterprise

## 2

**The Index shows remarkable consistency (see page 6) – allowing Remuneration Committee Chairs to calibrate programmes over time, between sectors and between companies of differing sizes...**

...but in the 2022 supplemental Index, the collective performance of all companies - in terms of ‘value for money’ as indicated by the Index - has slipped back, overall. That is not a positive story, and shows how executive may have bounced back too far in the euphoria of a clearing economic weather pattern

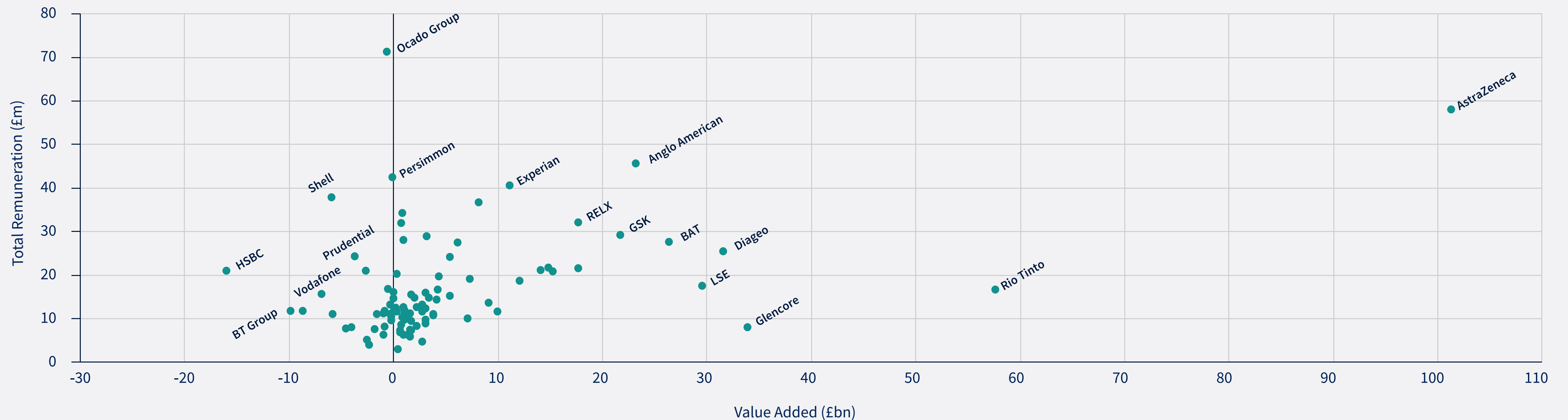


# The cost of a CEO does not tell us whether they are good value – looking at Value Add against Remuneration over the 4 year period

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.

**Fig.7 - FTSE 100 - Total Remuneration (£m) and Value Add (£bn)**



# Change in Median total value added for FTSE 100 companies

The graph (right) demonstrates the impact of the negative Value Add amongst the FTSE 100 in the 4 year period ending Q4 2022 which is roughly half that found in the 2022 Index

Fig.8 - Total Value Added by FTSE listing (including and excluding negative values)



KEY

- Upper Quartile
- Median
- Lower Quartile

# ***Rem.n***

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*Remuneration Associates*

**Simon Patterson**  
Managing Director

**Deirdre Murrow**  
Consultant

[www.remunerationassociates.com](http://www.remunerationassociates.com)