

The remuneration of corporate treasurers

More value is being attributed to the treasurer's role in financial management, but there still appears to be no 'going rate', as Douglas Austin of TMP found.

This article summarises the findings of our most recent survey of corporate treasurers' remuneration, carried out in December 2000, and is the twelfth annual survey of this kind.

The scope of the survey

The 81 treasurers who took part in the survey are those employed as heads of treasury in the UK's largest industrial and commercial corporate groups.

Most of the organisations are quoted public companies, but the survey also included some foreign-owned subsidiary firms and several private groups. However, it does not extend to treasurers working with banks or other financial services groups, where remuneration structures are often different.

Attention is concentrated on the cash remuneration enjoyed by the head of the treasury team, by way of basic salary and bonus, and the annual changes in these amounts. Other elements of the overall remuneration package, such as pension and company car arrangements, are ignored, although there is an enquiry about membership of various share option schemes.

The 2000 survey

To illustrate the effects of corporate size, this information is analysed in four groups, determined by annual turnover.

- Group I: more than £4bn turnover;
- Group II: £2-4bn;
- Group III: £1-2bn; and
- Group IV: less than £1bn.

Annual turnover, as a measure of corporate size, is not without its drawbacks, as some of our respondents pointed out, but it does have the advantage of being more easily established. It is also, for most companies, less variable from year to year.

Nevertheless, we monitored capitalisation figures, where relevant, to see if

these explain differences in remuneration figures. In addition, we divided responses, in all but the largest companies, between those from treasurers working in the London area and those working outside London to identify the element of London 'weighting'.

Basic salaries

The range of basic salaries earned by corporate treasurers at the end of 2000, and the average increases in the year, are summarised in *Table 1*. This shows the percentage of respondents in each group whose salary falls in the bands indicated.

This table also illustrates certain basic patterns that have consistently appeared in our other surveys over the years.

As a broad generalisation, basic salary levels tend to be higher in the larger companies. The separate group figures have always shown a strong correlation between company size, measured by turnover and salary averages.

However, within each group, there has always been a wide difference between the best and worst paid treasurer. This factor also accounts for the considerable overlapping of salaries shown in the table. Corporate size is clearly one factor bearing on pay levels,



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but it does not determine them – a number of treasurers working in smaller companies enjoy 'big company' pay, and vice versa.

Table 1 also shows that average increases in each group were above those in 1999, particularly in groups III and IV. Almost all had a double-digit increase in basic salary, well above the rate of inflation during 2000.

The bonus element

Most treasurers receive an annual cash bonus to supplement their basic pay. *Table 2* shows the effect of these bonus payments in 2000.

A comparison of these figures with those in *Table 1* shows a similar overall pattern, despite differing individual bonus awards. Here, too, treasurers in the largest companies did best in 2000, although these were matched this year by those working in group IV firms.

The importance bonuses play in overall cash remuneration is illustrated in *Table 3*, which shows the bonus experience in 2000 of the treasurers in several groups. Corporate size also had an impact with the top two groups faring, on average, better than those in smaller companies. The relative importance of bonuses is reflected in 24% of group I remuneration being represented by bonus payments, whereas the equivalent figure in group IV is only 9.3%.

The effect of location

Roughly a half of the treasurers who contributed to our survey worked outside the London metropolitan area. This geographical split is sufficiently pronounced in groups III and IV to permit separate analyses of the responses to identify the degree to which London and non-London salary levels differ. The results of this analysis are set out in *Table 4*, with the 1999 results for comparison. This year there was no noticeable difference in pay

between London and non-London treasurers in groups I and II, and very little in group III. Only in group IV was the difference still marked.

Accounting for option schemes

The more widespread use of option schemes in recent years to reward performance has led us to make some enquiries about these plans, the responses to which are summarised in Table 5. Here again, the treasurers in the larger companies have some advantage, although the actual benefit lies, naturally, in the underlying share performance.

The percentage of respondents receiving option grants has steadily grown in the last decade and, in the larger companies in particular, such grants have become a standard element in remuneration arrangements.

These figures leave no doubt about the importance employers attach to share options as a means of rewarding key executives.

A record year

This brief review shows that 2000 was something of a record year. Average pay increases at the 10% level, at a time of persistently low inflation, are among the best in real terms during the years in which our survey has been carried out. Bonuses were substantial for most treasurers, particularly in the larger corporate groups. Within each group, however, the differences between best and worst are still marked, confirming, as previous surveys have suggested, that there is no 'going-rate' for corporate treasurers.

Clearly, a number of other factors, reflecting the pay structure variations from company to company, go into the determination of each treasurer's remuneration package. Nevertheless, the overall figures, and this year's exceptional increases, testify to the rising value attributed to the treasurer's role in corporate financial management. ■

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Copies of the article covering the past two years' surveys are available on the Association website: www.treasurers.org/thetreasurer/edit.html

TABLE 1

**Basic salary
(Percentage of respondents in each salary band)**

Salary bands (£000)	Group I	Group II	Group III	Group IV
More than 200	4	–	–	–
150–199	4	–	–	–
100–149	68	50	24	9
80–99	20	31	29	22
60–79	4	19	41	48
Less than 60	–	–	6	21
Average basic salary	£119,260	£96,190	£82,470	£73,430
Increase versus 1999	10.8%	11.6%	8.6%	10.1%
1999 versus 1998	10.2%	8.6%	6.0%	7.2%

TABLE 2

**Salary and bonus
(Percentage of respondents in each salary band)**

Salary bands (£000)	Group I	Group II	Group III	Group IV
More than 200	9	–	–	–
150–199	35	13	13	–
100–149	48	60	19	10
80–99	4	7	44	62
60–79	4	20	18	10
Less than 60	–	–	6	18
Average salary & bonus	£148,700	£115,770	£93,270	£80,290
Increase versus 1999	11.2%	9.9%	5.6%	11.1%
1999 versus 1998	10.5%	10.4%	6.7%	8.6%

TABLE 3

**Bonus changes in 2000
(Percentage change of respondents in each group)**

Salary bands (£000)	Group I	Group II	Group III	Group IV
Increase/same	79	80	50	65
Decrease	21	10	29	25
No bonus either year	–	10	21	15

TABLE 4

London averages as a percentage of non-London averages

	Basic salary		Salary and bonus	
	2000	1999	2000	1999
Group III	107	130	107	139
Group IV	124	122	116	122

TABLE 5

Percentage membership of option scheme

	Group I	Group II	Group III	Group IV
Executive options	88	94	82	65
Previous year	98	86	76	72