

Watson Helsby

FTSE 100

Group Director of Corporate
Communications / Affairs Survey

2015/16 Results



1. Background

Each year Watson Helsby, the specialist corporate communications and public affairs executive search and leadership consulting firm, publishes a FTSE 100 Group Corporate Communications / Affairs Director survey, providing information and insight on reporting lines, executive committee membership, remuneration and other data of broader interest. The information is collated at the end of each year and published the following year, hence these are the 2015 / 2016 results

2. Methodology

We employ a combination of proprietary data, desk research, online questionnaires and telephone interviews, plus our relationships to acquire the data. We know many of FTSE 100 Corporate Communications / Affairs Directors, who generously provide us with much of the information and data we need. We collected data on over 90% of the FTSE 100, therefore the findings are robust and representative.

3. Nomenclature

We continue to use the Corporate Communications / Corporate Affairs titles because these two titles predominate (77%), but there are others which include: Corporate Relations; IR & Communications; External Affairs. Those with a bigger remit such as Legal and / or Regulatory will have a job title that reflects that.

4. Key Findings

4.1 % employing a Group Corporate Communications / Affairs Director

80% of **FTSE 100s** now have a Corporate Communications / Affairs Director

(In **2014** the figure was **77%**)



This figure includes companies where the role is currently vacant (Tesco, AstraZeneca, Sage, Severn Trent) but where the intention is to replace the executive that departed.

As mentioned in Nomenclature above, the job title varies considerably as does seniority, status, remit and leadership (i.e. the leader's background and functional expertise). We cover remit and leadership profile later in the survey.

For the twenty companies in the FTSE 100 that do not have a Corporate Communications / Affairs Director, one or both of the two following situations tend to apply:

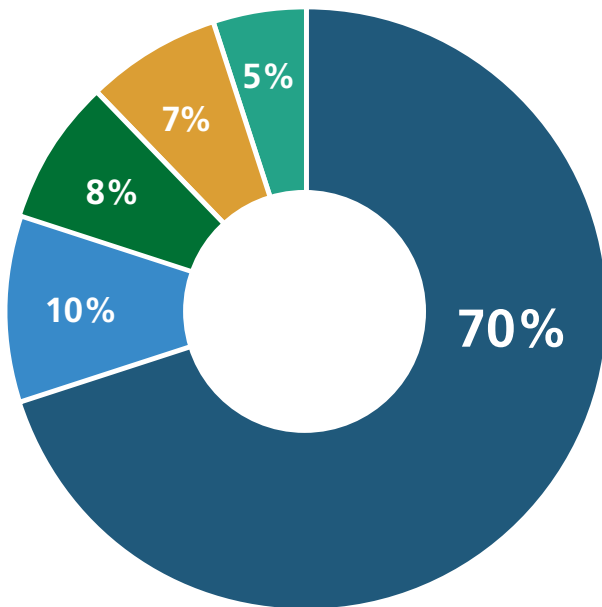
(i) They are B2B companies (engineering, manufacturing) with a reasonably low profile operating in markets with low political, regulatory and media scrutiny. In these companies corporate communications /affairs is not regarded as a function that requires senior level resourcing or capability. In these types of company two stakeholder audiences tend to take priority, both of which are external, and they are customers and investors / analysts. The communications responsibilities tend

therefore to be split between Marketing and Investor Relations (IR). IR will handle some media relations, but predominantly as a means of influencing investors and analyst sentiment (and therefore share price) – in other words media relations supports the IR agenda. In the marketing function, communications is resourced at a lower level (i.e. communications manager) and is more concerned with product as opposed to corporate communications. Employee / internal communications, if it exists, is likely to report to HR.

(ii) The DNA / culture of the company and its leadership is one that simply does not seek publicity or profile and actively wants to avoid it (they see more downside than upside). Neither communications nor stakeholder engagement is a high priority and reputation is not seen as a strategic asset that requires any significant investment. This stance is unlikely to change unless the company suffers from a high profile crisis which requires fast and highly professionally managed communications to contain it.

4.2 Background and remit

This year we analysed the background / profile of all the FTSE 100 Corporate Communications / Affairs Directors. The findings are as follows:



Background

KEY

- Communications / PR (including journalism)
- Public affairs / government
- IR / Investment banking
- Legal
- Other (marketing, general management)

Remit

Remit varies quite considerably, but the normal components of the role include:



Media Relations	Corporate Communications	Internal Communications
Employee Engagement	Corporate Brand	Public Affairs
Digital and Social Media	CSR Sustainable Development	Crisis Communications

Variations from the above are as follows:

- In 9% of the FTSE 100 Investor Relations is also part of the remit. When that is the case, the function tends to be led by someone with an IR or investment banking background.
- Those with an External Affairs / Communications title (12%) do not, as the title would suggest, have responsibility for internal communications (one exception).
- Those with a corporate communications title frequently do not have responsibility for public affairs and policy. In such instances public affairs either reports to Legal or does not exist (this is the case where a company is not significantly affected by public policy or regulatory intervention).
- In three companies (all in the FTSE 20), the Group Director of Corporate Affairs has a broader remit that includes Legal & Regulatory Affairs. The leader of the function in these instances is therefore the General Counsel. This happens in situations where regulation, and the cost it imposes on business, along with restrictions on license to operate, is critical to the future shape and profitability of the company concerned. A senior corporate lawyer is therefore regarded as being a more appropriate leader of the function.
- A very small number of Corporate Communications / Affairs Directors have also had the role (though not always the title) of Chief of Staff to the CEO added to their remit. This is because they are already a familiar and trusted advisor to the CEO, often a consigliere and sounding board, and because they are a known and respected entity at ExCo level. There is a strong logic to it too in that the corporate affairs director probably has a stronger understanding of the external stakeholder environment than any other senior executive and can therefore better judge who the CEO should be spending time with and focusing on. This ensures that the CEO's limited time is used to the best effect and focused on the right priorities.

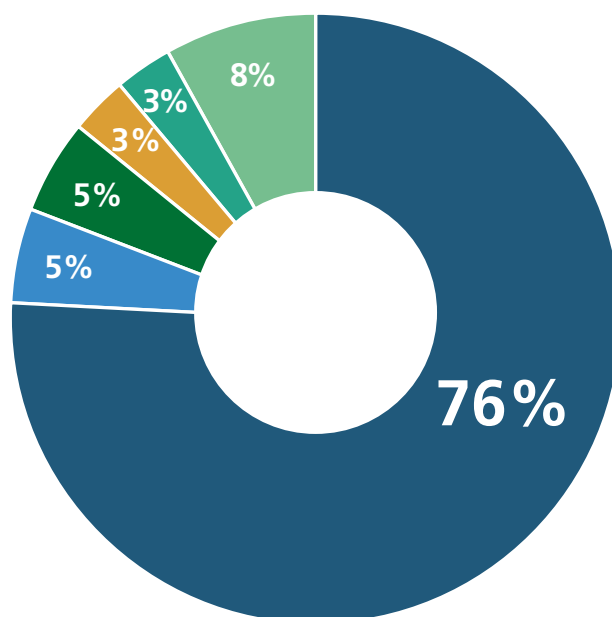
4.3 Reporting line

76% of Corporate Communications / Affairs Directors report to their respective CEOs, up from 75% last year. Other reporting lines of note include HR / corporate services, finance and marketing.

THE CORPORATE COMMS / AFFAIRS DIRECTOR REPORTS TO:

KEY

- | | |
|---------------------------|-------------|
| ● CEO | ● Marketing |
| ● HR / Corporate Services | ● Other |
| ● Finance | ● Unknown |



This is a similar picture to previous years, with a slight decline in the HR / corporate services reporting line versus last year (7%).

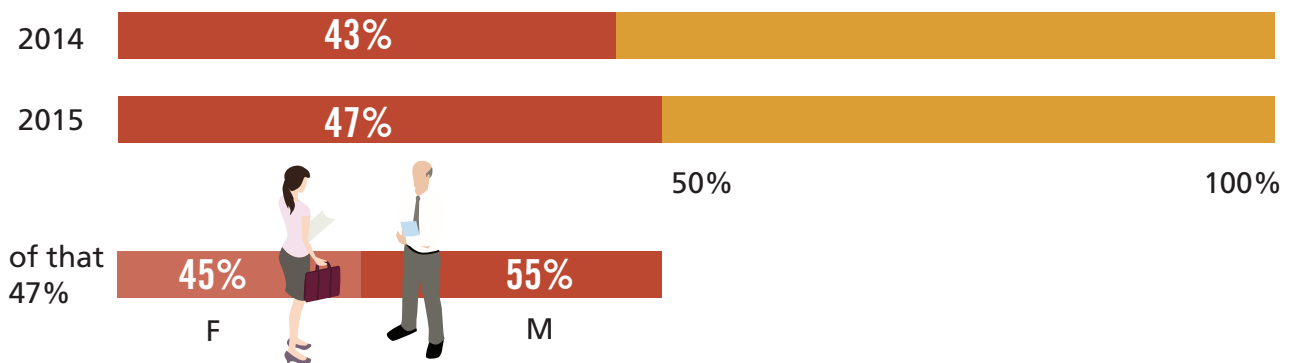
4.4 Executive Committee membership

47% of FTSE 100 Corporate Communications / Affairs Directors are formal members of the Executive Committee (ExCo).

This is up from 43% in 2014 so a discernible shift in the right direction. A number of Corporate Communications / Affairs Directors were not formal members but attended the majority of meetings, if not all. This can be

a source of frustration since they do not receive the compensation that is awarded to a formal member of the ExCo, yet believe their contribution and responsibilities are on the same level.

We also looked at the split between gender and we found that 45% of Executive Committee members are female and 55% male.



What makes a
**CORPORATE
 COMMS / AFFAIRS
 DIRECTOR**
 more likely to be on an
**Executive
 Committee?**

FTSE 20

High-profile, highly-regulated,
 highly politicised company

Broader functional remit
 (eg. Legal)

There are no set criteria, but clearly a Corporate Communications / Affairs Director is more likely to be on the Executive Committee if:

- (i) They represent a broader range of functions, for instance, legal & corporate affairs or HR property & corporate communications.
- (ii) They work for a FTSE 20. Over a third of those that are members of the ExCo work in a FTSE 20.
- (iii) If they are seasoned and high calibre executives who have proved themselves at this level.
- (iv) The company they work for is high profile, highly regulated and highly politicised and where reputation is deemed to be a highly prized strategic asset that requires the highest level of professional management. And that this is recognised by the Board and the Executive Committee, to the degree that reputation will be on the Board agenda.

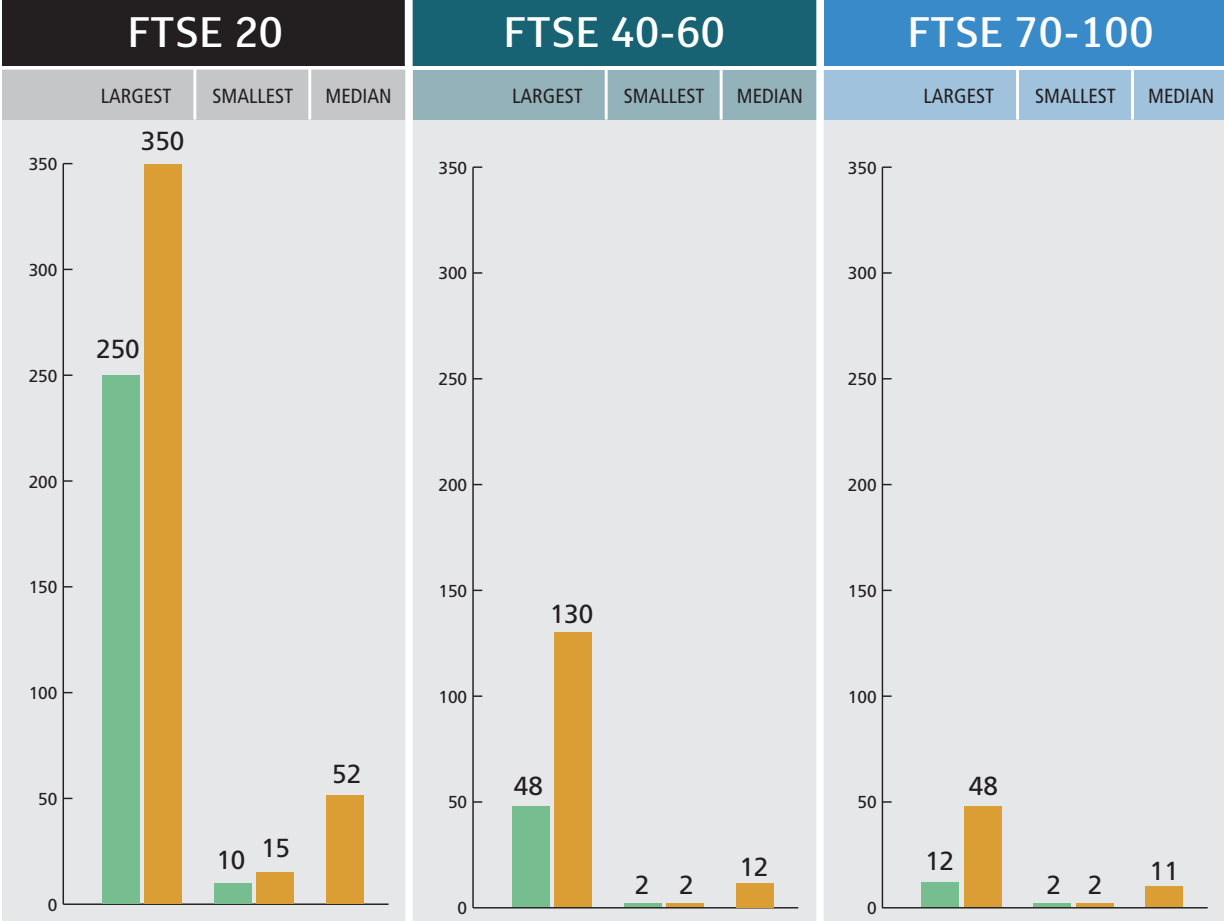
4.5 Size and structure of the Corporate Communications / Affairs function

This is the first year we have investigated this area, so we do not have trend data as yet. Since the organisational design of the function varies between companies, particularly in terms of reporting lines and geographical location, it is not always possible to make like-for-like comparisons.

For instance:

- In some FTSE 100 corporate communications / affairs functions the majority of headcount is at the group corporate centre with a hard reporting line to the director concerned.
- In other FTSE 100s, a significant proportion of headcount is located in either the markets or business units (BUs) with a hard reporting line to the BUs or market leader and a dotted line to the group corporate communications / affairs leader.
- Sometimes the entire global team, regardless of where it is located, reports to the group functional leader based at group HQ.
- To complicate things further some companies include their Brussels-based public affairs team in the group number.

As one would expect, the size / market cap of a company and headcount are inevitably correlated, though there are exceptions. So those companies with the largest headcount were in the FTSE 20. The drop in team size in companies that lie outside of the FTSE 30 is marked and illustrated in the graph below.

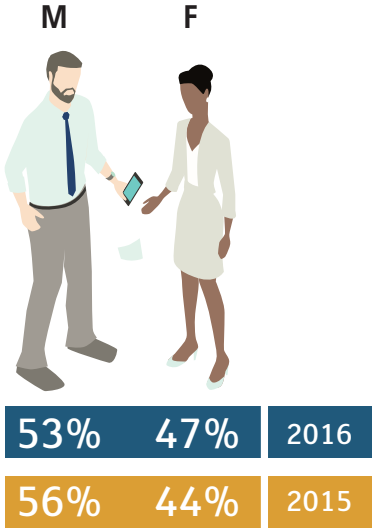


■ Group / HQ function
■ Global function (group + BUs)

Direct Reports (across FTSE 100)
 Lowest **1** Highest **11** Average **5**

4.6 Gender analysis

This is the second year we have undertaken a Corporate Communications / Affairs Director gender analysis. Last year the figures were 56% for male and 44% for female, respectively, so there is a marginally higher female representation (47%) this year. Whether this increase in female representation is a trend remains to be seen. Next year will provide a clearer picture.



4.7 Remuneration

Remuneration packages can vary significantly between Corporate Communications / Affairs Directors working for a FTSE 20 and those working for a company at the bottom end of the FTSE 100 index.

Membership of the executive committee can also make a significant difference to remuneration. Taking average compensation for the FTSE 100 is therefore of little value. Our approach for the past two years is to analyse average compensation of Corporate Communications / Affairs Directors in three different categories: FTSE 20; FTSE 40-60; FTSE 70-100 (last year we took 80-100, but there

are not enough companies currently in this group that have Corporate Communications / Affairs Directors).

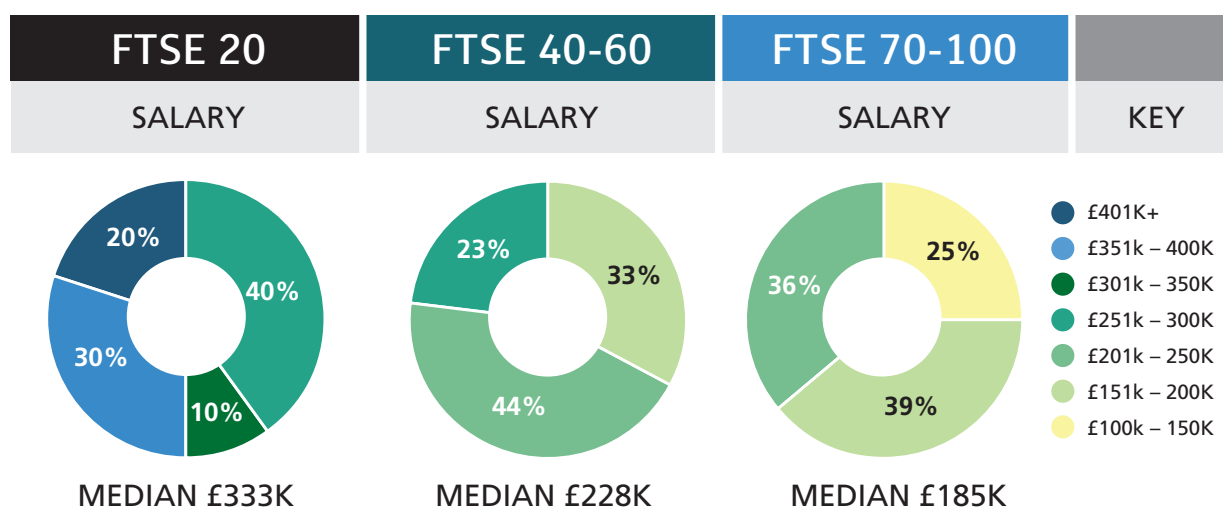
a. Base salary

Base salaries in the FTSE 20 range from £250,000 to over £550,000. Those at the upper end of the scale are members of the executive committee. In the FTSE 40-60 salaries range from £160,000 to £275,000. In the FTSE 70-100 salaries range from £100,000 to £250,000. There is therefore a very clear correlation, with certain exceptions, between market cap and salary.

SALARIES range from **£100,000** to over **£550,000**

BONUSES range from **50%** to over **150%**

LTIPS range from **50%** to **200%**

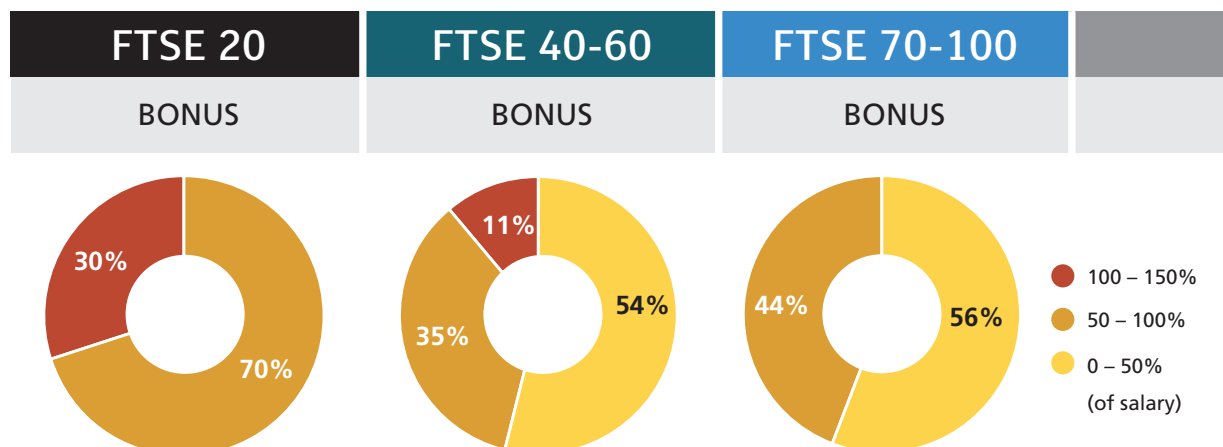


Salary rises for most interviewees were minimally above inflation. Some interviewees had a salary freeze and some (in FTSE 20) had received a salary increase of up to 10%. It goes without saying

that companies move up and down (and in and out) but by and large (mining sector excepted) these changes are rarely dramatic.

b. Bonus

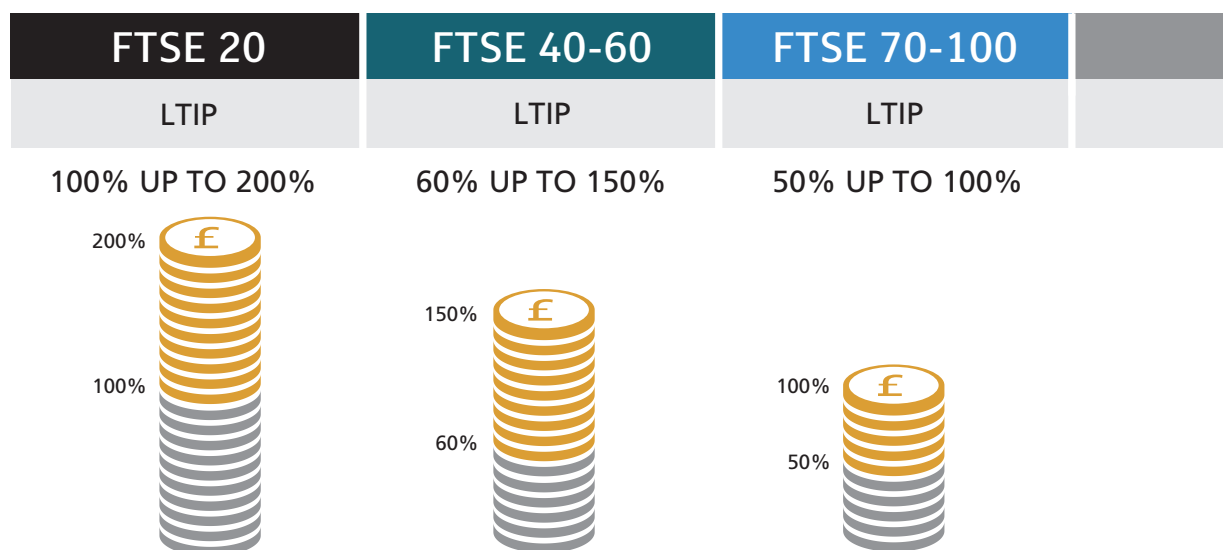
Bonuses vary between 30% and 150% and as expected they are lower at the bottom of the FTSE 100, though there are exceptions. In the FTSE 20, where the position is more likely to be a member of the executive committee they are higher. But they also have a higher percentage of stock or, in some instances, deferred stock attached to them. So the cash therefore tends to be lower.



c. LTIP

There is little change here. LTIPs for FTSE 20 Group Corporate Communications / Affairs Directors will rarely be less than 100% of base.

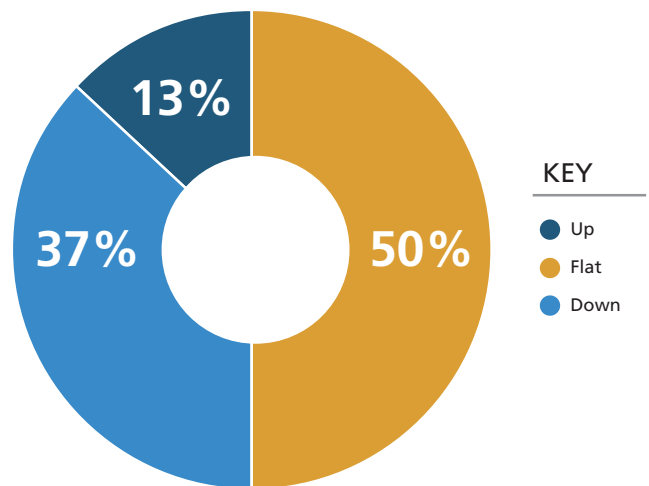
Those working for companies further down the FTSE 100 can expect an LTIP ranging from 50% - 150% of base salary. The range is broad because the experience of the executive concerned is broad, as is their stature within the company.



All of the above %s are conditional upon complex corporate and personal KPIs being hit. The conditions attached to them such as what % is deferred etc vary considerably and are becoming ever more complex.

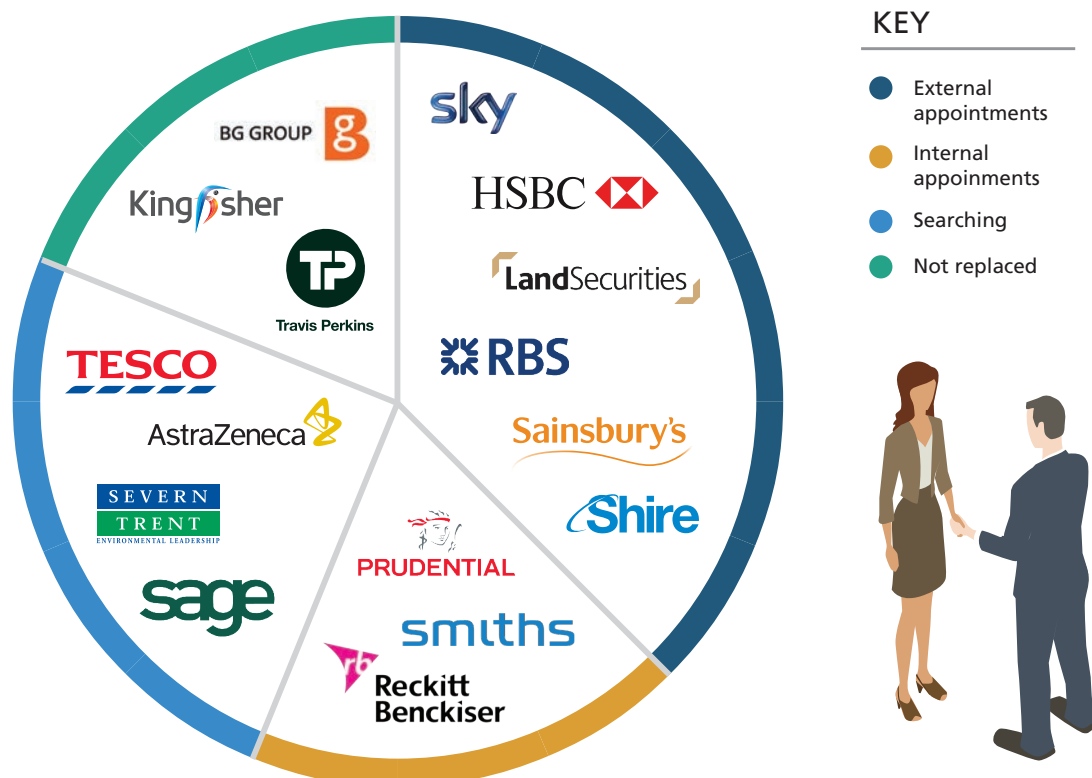
4.8 Budgets

All respondents were asked about their budgets for 2016. Half reported that budgets would be the same as 2015, which means that they do anticipate holding consultancy spend at the same levels as last year, if not less. 37% of Corporate Communications / Affairs Directors are seeing a cut in budgets ("it is an iterative process"), up to 40% in some cases. Only 13% reported an increase in expenditure for the year.



4.9 Change at the top

16 companies changed their CORPORATE COMMS / AFFAIRS DIRECTOR IN 2015



2015 saw sixteen of the FTSE 100 change their Corporate Communications / Affairs Director. We have also included (departures, not appointments) changes in January 2016.

Of those nine companies that have made a new appointment, seven have been external hires and two were internal, suggesting that succession planning – as is often the case – remains sub optimal. Additionally those companies that have yet to appoint are highly likely to appoint external candidates. Four out of the seven external hires came from different industry sectors to

the one they were hired into. RBS and Shire both hired from their respective sectors, which is not surprising since both financial services and pharma are sectors where specialist sector knowledge is often regarded as non-negotiable.

In 2014 there was a turnover of 11% with 54% of them being external hires and 46% internal.

This means that over the past two years over 25% of FTSE 100s have changed their Corporate Communications / Affairs Directors.

For further information, or to discuss the research findings in more detail, please contact Nick Helsby at Watson Helsby on:

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