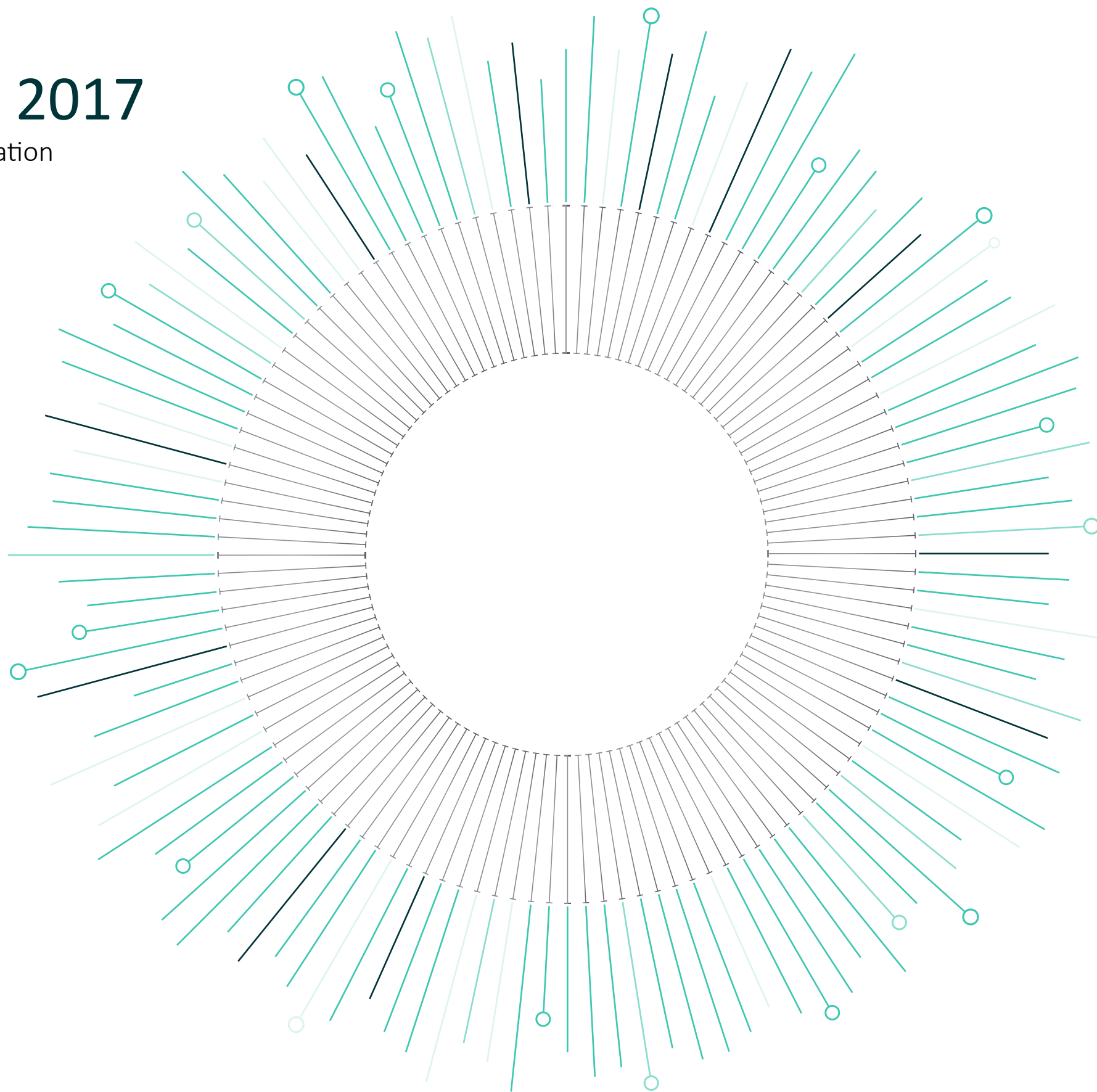


erevena

SALARY SURVEY 2017

A study of Non-Executive remuneration
in high growth businesses

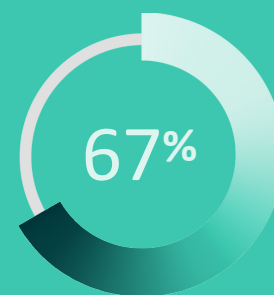
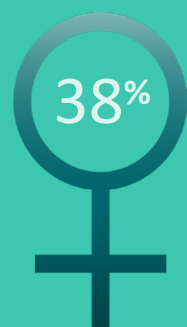


HIGHLIGHTS

Chairs in early stage businesses are more hands on, committing twice as much time as those at later stages: 4 days/month versus 2 days/month.

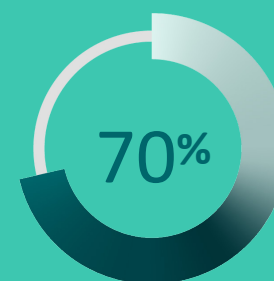
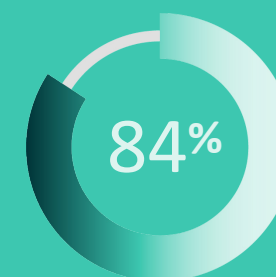
58% *Chairs interviewed sit on 3 or more Boards showing a continued preference for Non-Executive Directors (NEDs) with portfolio careers.*

Whilst only 10% of our NED and Chair pool were women, the proportion of female NEDs and Chairs rises dramatically to 38% when looking at the pool under the age of 55 - a promising sign of increasing gender diversity.



Chairs earn under £30k in Pre-Seed to Seed stage companies.

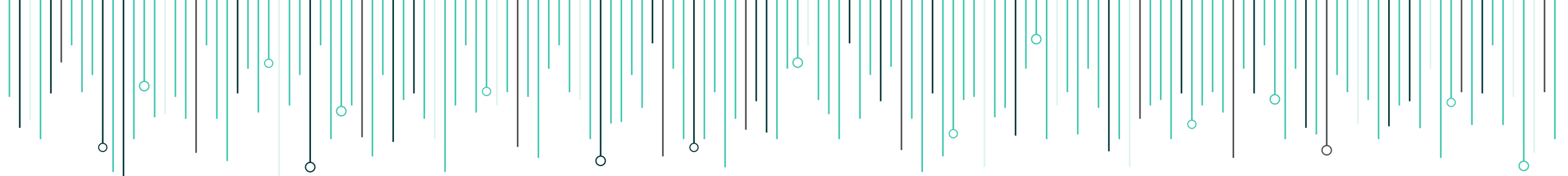
Chairs earn over £30k in Series A to Post-IPO stage companies.



NEDs are offered less than 0.5% equity in companies between Series A and C.

Chairs are offered at least 1.5% equity from Pre-Seed through to Series C.





The use of independent Non-Executives and Chairs is maturing rapidly in the venture community. Erevena's 2017 Non-Executive salary survey for fast growing, privately-held businesses, has continued to illustrate growth in Non-Executive numbers.

Importantly in this year's survey, the number of Non-Executives holding both public and private Non-Executive appointments has grown, demonstrating an appetite from the candidate community to have exposure to a more diverse set of companies and challenges in their portfolio.

Of the Non-Executive Directors and Chair respondents who declared a public Board in the survey, over 65% had more recently added a private Board appointment. In the aftermath of Carillion's collapse and the focus on public director liability and governance responsibilities, we expect to see this only increase in future datasets and will track this trend with interest.

We continue to see appointments of Chairs at relatively early stages, the majority at Seed or A round, with another hiring spike later in the journey when companies mature and consider exit routes. In the main, the majority of Chairs have plural careers, and are committing an average of 2 days a month to each portfolio company. Those involved in very early stage companies often extend this to 4 days.

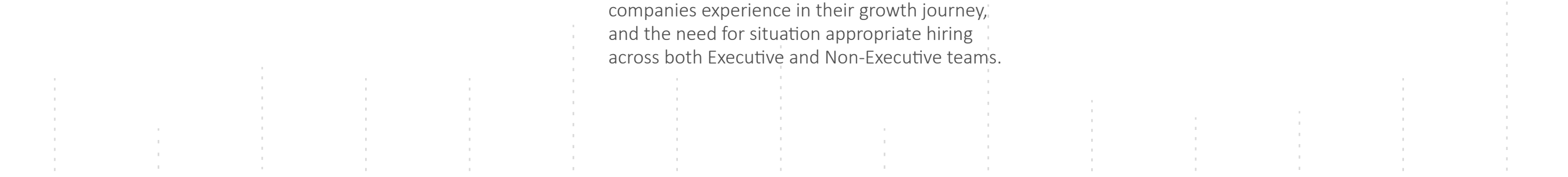
The majority of Chairs tend to invest in the companies they work with as well as being remunerated more often than not with both cash and equity awards. By contrast, companies tend to invest in strengthening their Non-Executive bench as they increase in complexity and enter scale-up phase, with more being hired at series C and beyond than any other stage. Non-Executives in early stage companies are more frequently serving Executives in addition to their Non-Executive commitments. Again, compensation trends have moved away from equity-only models to a combination of cash and equity awards.

The majority of Non-Executives and Chairs serve one term of 4 years with 18% of NEDs and 24% of Chairs extending this to a second term. A small minority remain engaged with the company beyond the recommended 8-year term. We expect to see shorter terms in the private versus public domain reflective of the rapid change companies experience in their growth journey, and the need for situation appropriate hiring across both Executive and Non-Executive teams.

Gender diversity remains a challenge within the boardroom of early stage ventures, with only 10% of survey respondents being female. However, when examining the data against age profile, it is interesting that within the group of respondents under the age of 55, women's participation inflated to 38%. This may be a small signal of positive change, and we will continue to monitor this trend.

The use of independent Chairs and Non-Executive Directors is an exceptional and affordable way of young and fast-growing companies accessing both the experience and network of seasoned Executives and we hope to see participation in the UK's entrepreneurial sector from experienced Non-Executives, continue to grow.

Erevena would like to thank all of this year's respondents, and those in venture and private equity funds who kindly supported the gathering of data for the 2017 survey. We hope the survey results will provide a useful guide on compensation and broader trends in Non-Executive hiring.



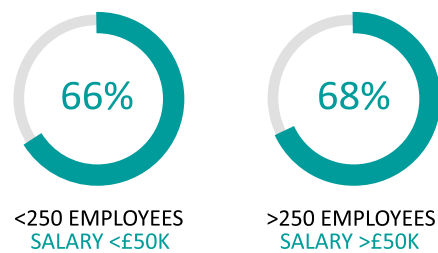
CHAIR

Chairs are appointed at relatively early stages - the majority at Seed or A round - with another hiring spike later in the journey as companies mature.

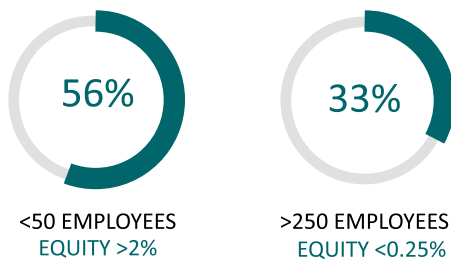
The majority of Chairs have plural careers; committing an average of 2 days a month to each portfolio company or longer if engaged in very early stage companies.

They are more frequently given the opportunity to co-invest in the companies they serve with.

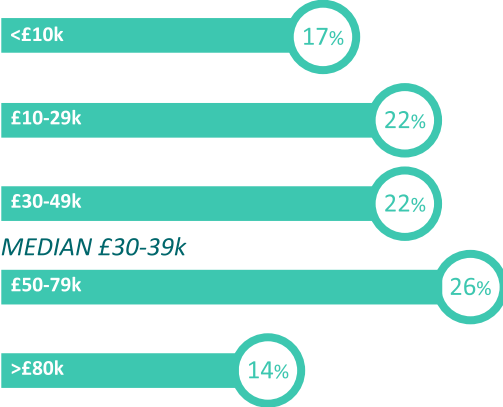
Salary is linked to company size with larger companies paying more.



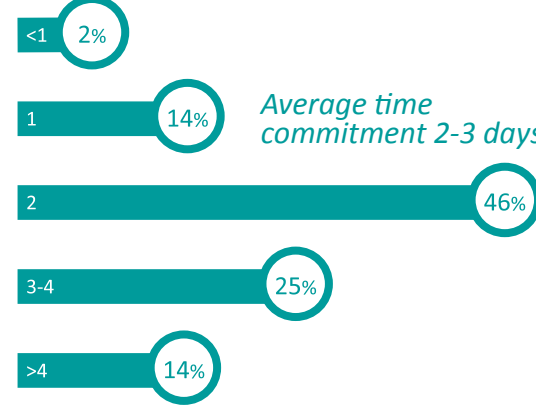
Equity offered reduces as headcount increases.



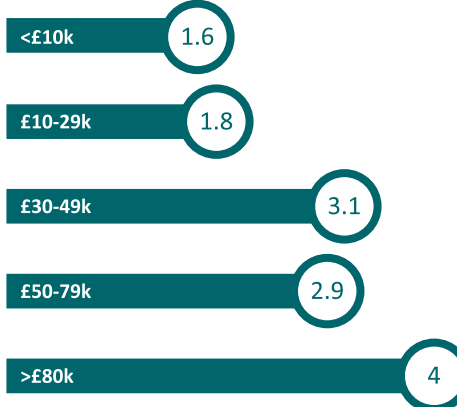
ANNUAL SALARY



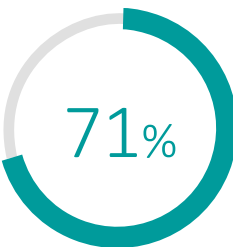
TIME COMMITMENT (days per month)



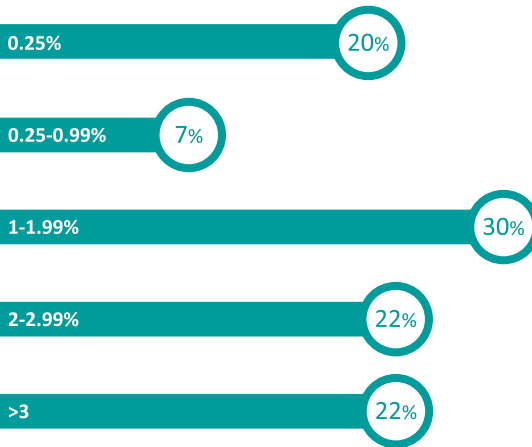
TIME COMMITMENT (days per month by salary)



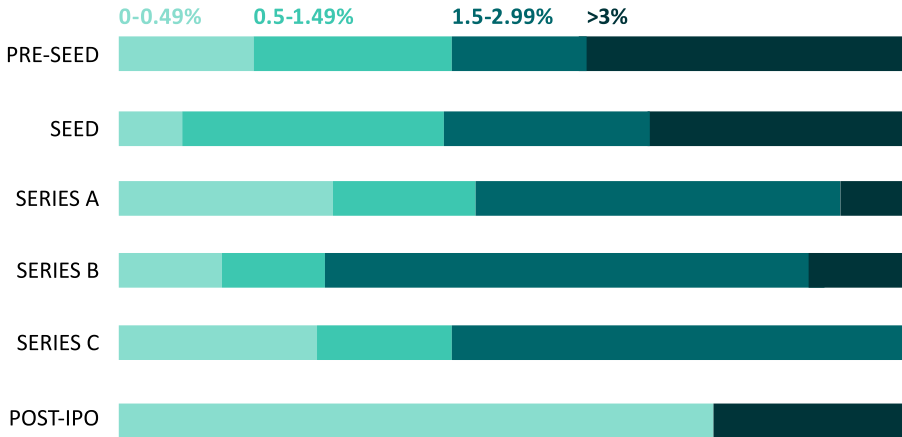
OPPORTUNITY TO INVEST



OVERALL EQUITY

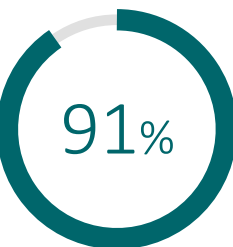


STAGE VS. EQUITY

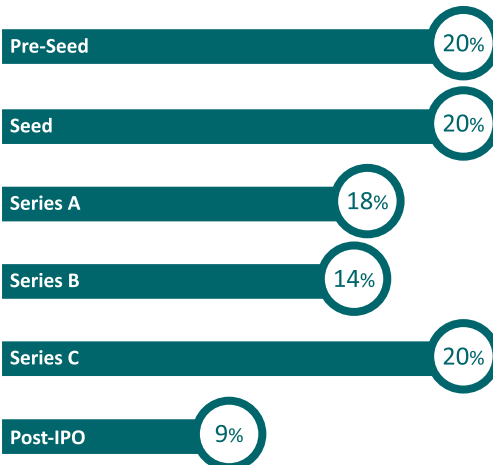


ADDITIONAL NON-EXECUTIVE ROLES

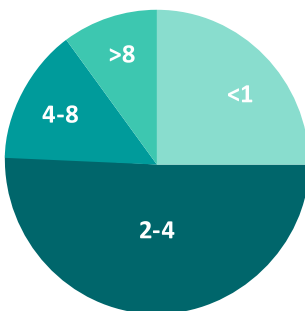
63% sit on 3 or more boards



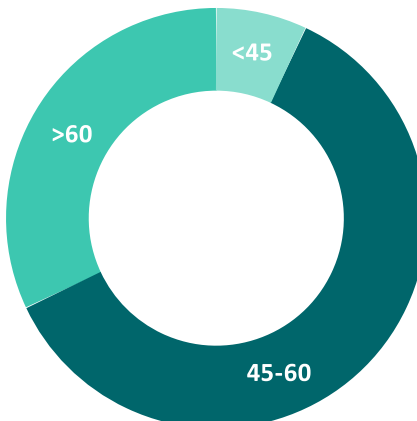
COMPANY STAGE WHEN HIRED



TIME ON BOARD (years)



AGE



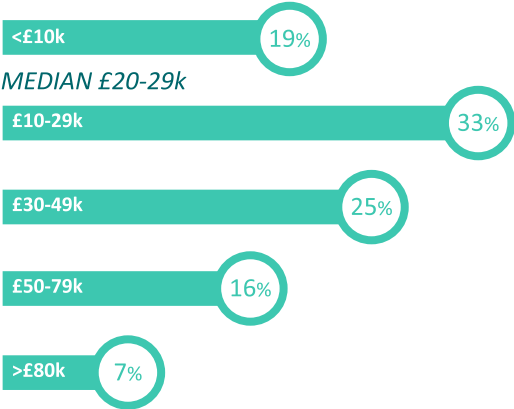
NON-EXECUTIVE DIRECTOR

Companies tend to invest in strengthening their Non-Executive bench as companies increase in complexity and enter scale-up phase, with more being hired at Series C and beyond than any other stage.

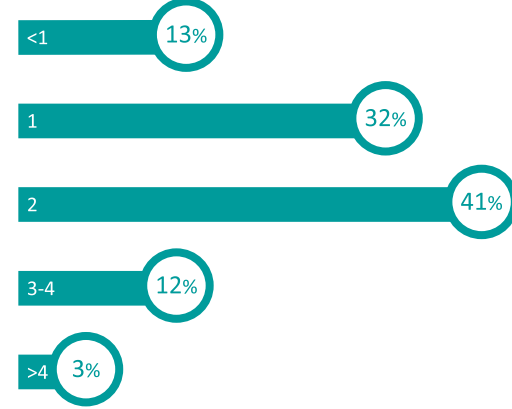
Non-Executives in early stage companies are more frequently serving Executives in addition to their Non-Executive commitments, but do often have more than one Non-Executive commitment.

They are expected to commit an average of 1.8 days per month.

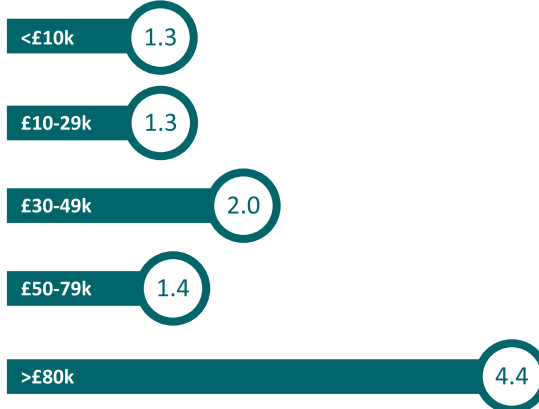
ANNUAL SALARY



TIME COMMITMENT (days per month)



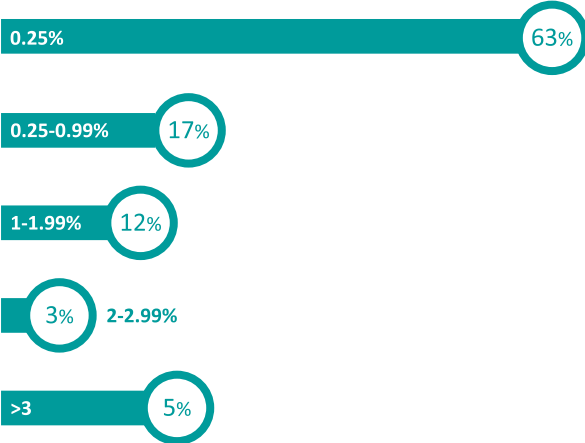
TIME COMMITMENT (days per month by salary)



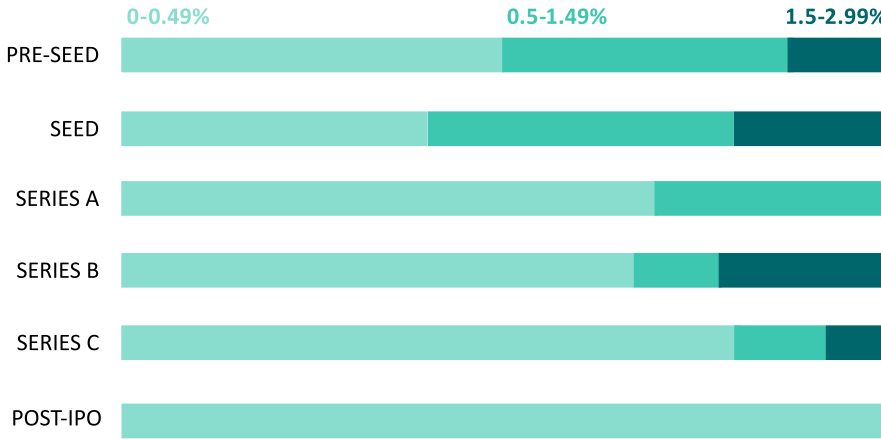
OPPORTUNITY TO INVEST



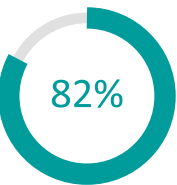
OVERALL EQUITY



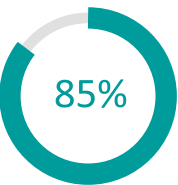
STAGE VS. EQUITY



Salary is linked to company size with larger companies paying more.

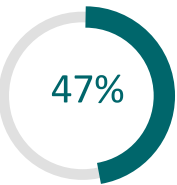


<250 EMPLOYEES
SALARY <£30K

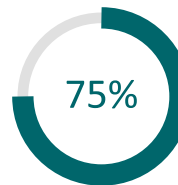


>250 EMPLOYEES
SALARY >£30K

Equity offered reduces as headcount increases.



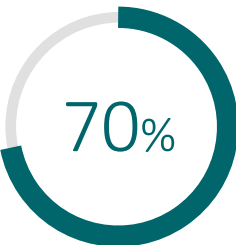
<50 EMPLOYEES
EQUITY >1%



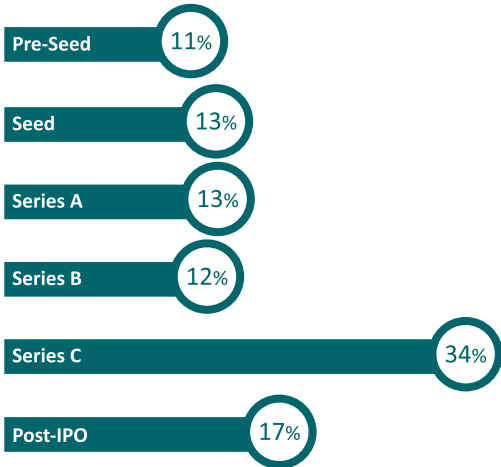
>250 EMPLOYEES
EQUITY <0.25%

ADDITIONAL NON-EXECUTIVE ROLES

53% sit on 3 or more boards

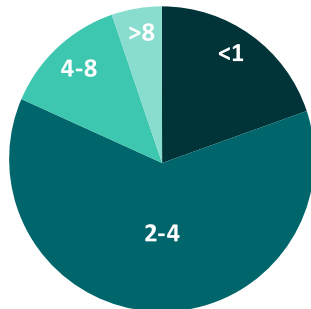


COMPANY STAGE WHEN HIRED

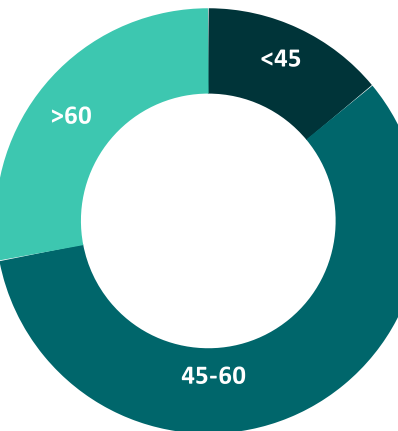


TIME ON BOARD (years)

18% extended beyond 1st term of 4 years



AGE



ANALYSIS

In addition to gathering quantitative data, we pulled together a panel of experts to get their views on the survey results as well as their general analysis on the role of Non-Executives in the high growth business community.

Natalie Ceeney
Chairman, Innovate Finance

With governance in the spotlight right now, we too often focus on just the ‘control’ functions of Boards, and not the value that wise counsel and experience can bring to entrepreneurial start-ups. It’s extremely positive to see the way that FinTechs are embracing the value that experienced Boards can bring, providing coaching and support through the multiple challenges of fast growth. *What I hear so often from FinTech leaders, and know from experience, is how lonely being the CEO can be – and a great Board can provide support that can make a huge difference to both the company and to the personal success of the CEO.*

Jeff Lynn
Exec Chairman and Co-Founder, Seedrs

One of the interesting developments we are seeing in the boardrooms of venture-backed companies, including our own, is the inclusion of more traditional independent NEDs. I think, historically, there was a view that these Boards should be kept as small as possible, and composed only of representatives of the company’s institutional investors (who are often there as much for supervision as for value-add) and members of the executive team.

Increasingly, we are seeing venture-backed companies expand their Boards to include domain experts or experienced NEDs who can bring a different, and more independent, perspective to Board discussions. I think this is a welcome development, at Seedrs we have found this type of mix to work very well for the company.

Gavin Holland
Ecosystem Development Partner,
Anthemis Group

We continue to believe that a thoughtfully curated Board (formal or informal) can be a great asset to our portfolio companies, and so we actively encourage this to be addressed early. It’s clear that as early stage companies grow and develop (even pivot) the specific requirements for Board composition changes, and so we recommend having this open discussion early with potential Board members, so that there is no surprise later if the best outcome for the company is that they should step off. There is clearly some thoughtfulness required in this context with regard to the vesting schedule of any equity-related compensation, to be linked to time of relevance and contribution.

Our view is that a combination of cash and equity is critical, as the cash element (even though usually inconsequential for a senior and very experienced person) creates a psychological commitment between the Board member and the company, rather than in an equity-only situation, where the Board member can more easily rationalise walking away if times get hard, as they “haven’t been given anything of value for their efforts to date.”

Alan Hughes
Chairman, Unity Trust Bank

Erevena’s research shows that the range of NED remuneration and time commitments are broad, but so are the expectations. Are they regulators’ cautious front line or invaluable growth stimulators? A good NED will be capable of both, and will emphasise according to the needs of the firm at the time.

As for diversity, it is valuable in its own right. If Board candidates have the threshold skills, then it’s wise to choose for diversity over marginal skill advantage.

Rob Moffat
Partner, Balderton Capital

There continues to be a shortage of Chairs and NEDs with deep entrepreneurial and tech experience in Europe, but over the last two years we have started to see this improve.

Jonathan Lerner
Managing Director, Smedvig Capital

VC firms have been keen on Chairs/NEDs for many years. I think that founders are also increasingly starting to see the value and they are being utilised by both groups, not just as the liaison between the company and its shareholders, but as a key mentor and driver of value for the founders. Traditionally, there has been a large emphasis on NEDs and indeed Chairs as introducers of business. As the Boards of venture-backed businesses become more mature and the expectations of all participants increase, it doesn’t surprise me at all to see the average time spent in the business is two days. These Chairs have often gone “plural” (63% of Chairs sitting on multiple Boards) and bring that experience to actively help their CEOs with every aspect of the business, as well as facilitating high-level commercial discussions.

Chairs are expensive. They are being paid with significant equity stakes, especially at the earlier stages where the reputational risk is much greater. My experience is, however, that if companies find the right Chair they are worth all this and more. Respected by all participants and with deep industry/sector experience, they are often a key catalyst to showing a young company how they can realise their growth ambitions.

Mike Baliman

Founder, London FinTech Podcast
Author, “How to manage the SmallCo Board”

The “unseen keystone” in the bridge that represents the successful transition from fledgling start-up to mature company is an effective, functioning Board. Whilst there is plenty (more than enough) written about the listed company Board with its codes of corporate governance, there is surprisingly little written about the unlisted company Board.

I have spent several months discussing this topic, interviewing dozens of highly successful entrepreneurs about their successes, failures, learnings and fortune - good and bad. *Not unsurprisingly, the more experience that founders and CEOs have with Boards, the better they do when founding a new venture.* However, almost by definition, no-one has the whole picture- there being a plurality of approaches practiced from “ignore it as long as possible” to “make it a smaller version of a BigCo Board”. Needless to say, neither of these extremes are to be recommended.

In short, why have a Board , or rather why have a Board that goes beyond the necessary legal box ticking? The simple answer to this is that it can give you access to the experience, wisdom, connections, and savoir-faire of folks older and wiser, who you could never afford to hire full-time, and who, even if you could, wouldn't be likely to come and work for your SmallCo.

In the changing world of start-up, scale-up, growth then IPO, your company never remains constant. And thus, an important corollary is that neither must your Board. When you are small and not so significant, you are very unlikely to attract the Board members that can, say, help you one day with listing on a stock exchange. Equally, when you are a medium sized company, your initial Board of more friends and angel-type folks may lack the experience to advise you on the challenges of that stage.

Nigel Payne

Chairman, Stride Gaming plc
Former CEO, SportingBet

In today’s increasingly regulated corporate world, what exactly is the role of a Non-Executive Director? Or more importantly, what should it be? Non-Executives could be forgiven, perhaps, for increasingly interpreting their role as being that of gatekeepers of corporate governance. After all, that is where we are being driven, isn’t it?

In recent years we have seen a plethora of new regulatory requirements: from GDPR to Corporate Criminal Offences, from the Modern Slavery Act to a revised Corporate Governance Code, and from enhanced audit reporting to Market Abuse Regulations. It seems like every Board Meeting there’s a new “rule” to follow. But is this really what we are there for? For my part, no it isn’t. We need to be careful that we do not lose sight of the requirement to help foster a robust commercial focus too. The role of the Non-Executive must surely be, in addition to our governance responsibilities, to use his or her experience to expressly add value to the company, and to help it grow and be successful. Whether this is by the Non-Executive Chairman who steers the Board agenda to deliberately include and debate at least 50% of topics that “look forward”, or the Non-Executive Director who proactively participates in such topics, both inside and outside of the boardroom.

Today’s Non-Executives arguably need to guard against themselves and ensure that this increasingly regulated environment does not turn us all into a “new breed” of “compliance Non-Executives” that concentrate too much on regulation and lose sight of the need to drive success and enhance shareholder value too.

Ben Tompkins

Managing Partner, Draper Esprit

Being an NED on the Board of a high-growth company is hard! There is no doubt that the expectation of founders and CEOs has increased significantly in the last ten years- but so has the talent pool. I have been privileged to work with some highly effective NEDs, who have made a huge contribution to supporting the founder, CEO and investors in good times and bad.

When you are investing at any stage, the defining factor is the people. Can the founder lead? Can he/she build a great team around them? Can they attract customers, commercial partners and investors? The quality and diversity of the people that a founder surrounds themselves with, including Board members and advisors, is great evidence of the scale of the opportunity.

And this challenge doesn’t go away - *the trick is to keep the Board and advisory group relevant as the business scales and grows up.* The Board of an early stage start-up versus a to-be public company requires a very different skill-set. The Erevena Salary Survey helps to shed light on both the talent pool and what it takes to secure the best. A hugely useful piece of research.

Richard Gibson

Chairman, Cytora
Former Executive Chair, Swiftkey

This research by the team at Erevena shows some interesting trends around the roles of Chairmen and NEDs in high growth companies. It appears the approach to building stage appropriate Boards is maturing, as the positive impact of having a high-performing Board becomes clearer, particularly in the early stages of growth, where the businesses are often founder led.

Around 85% of Chairmen now commit two days per month or more, with 39% committing around a day per week. Having an engaged, involved, independent Chairman is an incredibly valuable support mechanism for the entrepreneurs. The roles are also crucial for all stakeholders who rely upon the Board as their main interaction with the company. Creating a high-performing Board is challenging, particularly when you consider the various underlying interests of Board members. *Having an engaged and independent Chairman with the relevant growth stage experience is a fundamental appointment for any ambitious growth company.*

Martin Brennan
Principal, Scottish Equity Partners

A strong Board can help ambitious companies build solid foundations and achieve a step change in scale and success. SEP has made more than 130 investments, mostly involving one or more NEDs (often including a Chairman). Through successful exits such as Skyscanner, which was acquired by Ctrip for £1.4 billion, we have seen first-hand the value an effective Board can bring.

In our experience, however, no one-size fits all. The right Board composition can depend on considerations such as the age and stage of the business. Similarly, there are no hard and fast rules on tenure, or on remuneration, options and share ownership. Integrity, fit and value-add are most important.

A Board’s prime concern is to ensure the business is well run, rather than to run the business. To build your ideal Board, you might start by listing specific challenges and identifying people with knowledge and experience in those areas. For NEDs, it is important to be clear about expectations and time commitments upfront. The Chair is a pivotal role requiring an independent mindset, superb people skills and an ability to act as coach, confidante, and mentor as situations demand. The Chair must act as a go-between on sensitive issues and have an ability to read the room, as well as the Board report.

Finally, better to recruit wisely than quickly. A stellar Board can deliver enormous credibility with customers and staff, but never underestimate the importance of personal chemistry and cultural fit. Our experience has taught us that the best boardroom relationships are based on mutual trust, and that the value a business can derive from them is enormous.

Craig Anderson
Partner, Pentech

Board members can be a tremendous source of support and knowledge for the founders of early stage businesses. However, the needs of the founders and the company will change over time, which means a changing dynamic for the Board. At the very early stage, NEDs will spend much of their time mentoring the founders, and providing support and guidance on product decisions, as well as access to investors and initial customers. As the business develops, the founders need a different type of assistance, such as scaling engineering and sales in a capital efficient manner. It is therefore important that the Board composition reflects those changing needs over time, and that companies take action when a different skill-set is required.

The Ereveva survey shows that most Board members have a tenure of 2-4 years, which suggests most companies are indeed embracing the need for change as their business develops.

Irrespective of stage, the relationship between Chair and CEO is critical to the success of the business, and that requires a high level of trust between both individuals. That said, CEOs often benefit from also having a personal mentor they can turn to for independent advice and support, to complement the role of the Chair.

Nick Hungerford
Founder, Nutmeg

Whilst it may feel a distraction for early stage entrepreneurs who are focused on running their business, finding the right Board members including a balance between investors and independents, can have a considerable impact on the outcome of many critical decisions, including the fate of the entrepreneur!

Entrepreneurs get so much from a good Board that, for some, working with the right people will be the deciding factor between two competing term sheets. That can extend beyond just great investors, to the quality of people associated with the fund as Venture Partners, EIRs and Operating Partners. *Independent NEDs are also a critical part of the mix, and young companies should be prepared to pay for top talent and experience.* As we see from these results, there is no shortage of demand for NEDs, with most sitting on three or more Boards.

Thank you to all the individuals who participated in the research and to Anthemis group for sharing this survey with their network.

We hope you find the output both interesting and useful, and look forward to your ongoing participation.

If you would like to know more about the survey data and analysis, discuss our findings in more depth or explore future partnerships with us, please do get in touch.

erevena

Erevena is a leading technology and digital Executive search firm. Working with high growth and established companies, Erevena builds and advises Executive and Non-Executive leadership teams across the whole technology ecosystem.

Our clients are some of the world's most innovative companies, building leading edge technology and disrupting established markets with that technology.

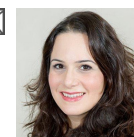
We've helped shape some of the world's most successful start-ups, building category winning teams across the B2B and B2C landscape. We also partner with well known global consumer and enterprise brands, on innovation and digital transformation.

Our relationships across a breadth of the technology landscape enable us to better serve our customers: through the insight we can offer, the talent we can access, and the collaboration we can foster.

erevena.com
info@erevena.com

London: +44 203 816 9340
Dubai: +971 4 313 2851
San Francisco: +1 415 860 9662

MARIA JOSIFE Senior Partner



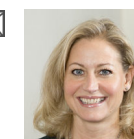
With over 15 years' experience in executive search, Maria specialises in Executive and Non-Executive appointments for high growth businesses with a particular focus on consumer facing and financial services clients. Maria works extensively with venture and private equity-backed companies. She brings deep experience across a range of functions including General Management, Operations, Marketing, Revenue, and Product, and leads Erevena's Board Practice with a particular focus on Board Reviews and Non-Executive appointments across Erevena's client base.

DAN HYDE CEO



With 20 years' experience in executive search, Dan's heritage is working with technology builders, appointing executive teams for some of the world's fastest growing SaaS companies. Today Dan works across all of our sectors, with a particular focus on CEO, General Management, Chair, and NED roles.

JANE DOWDING Non-Executive Director



With more than 20 years' experience in executive search, Jane has most recently been working with The Zygos Partnership focusing on Board work within the media, consumer and retail sectors. Jane established her own advisory firm Sirocco Search in 2015, and was previously a Partner at Russell Reynolds Associates where she successfully built and co-led the global media, entertainment & digital practice and advised a range of clients from major global corporations to early-stage businesses with a particular focus on digital transformation.