International Journal of
Financial Studies

MDPI

Article

Determinants of Remuneration Committee Chairman's Pay: Evidence from the UK

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Abstract: This study investigates the association between the compensation of Remuneration Committee Chairpersons (RCCs) and their characteristics. Utilizing data from firms listed on the UK FTSE350 index between 2010 and 2020, the research unveils that RCC remuneration is influenced by factors such as observable efforts, time commitment, and accumulated experience. Notably, the analysis reveals a substantial gender gap in RCCs' pay. The results suggest that the contractual pricing of individual director-level attributes plays a role in explaining disparities in compensation for roles with similar responsibilities. Furthermore, the study sheds light on the intricate process of determining compensation within the directorial hierarchy. It delves into how differences in pay among individuals occupying similar positions across various companies can be elucidated by the distinct attributes and qualifications of each individual. Ultimately, the findings advocate for a nuanced examination of directorial roles, highlighting the necessity of distinguishing between different director roles rather than treating them as a homogeneous entity.

Keywords: corporate governance; non-executive directors; remuneration committee; remuneration committee chairperson; director individual characteristics; directors-level

Citation: Shiyyab, Fadi Shehab. 2024. Determinants of Remuneration Committee Chairman's Pay: Evidence from the UK. *International Journal of Financial Studies* 12: 45. https://doi.org/10.3390/ijfs12020045

Academic Editor: Brian Bolton

Received: 27 August 2023
Revised: 28 January 2024
Accepted: 1 February 2024
Published: 10 May 2024

1. Introduction

The role of non-executive directors is central to corporate governance as a key mechanism for oversight and protection of shareholder interests. The remuneration of non-executive directors plays a key role in avoiding conflicts of interest with that of shareholders and therefore in strengthening corporate governance. The dominant previous studies for non-executive remuneration mostly build on the economic consequences of non-executive directors and examine the effects of non-executive remuneration on the corporate outcomes e.g., in the context of financial performance, executive compensation, corporate social role, etc., while determining of non-executive remuneration themselves are scarce and remains an understudied area (see Hahn and Lasfer 2011; Lu et al. 2022 for a review). Previous literature on determinants of remuneration of non-executive directors has been rather limited. Corporate governance guidelines also do not specify the factors that determine compensation for non-executive directors. In the meantime, corporate governance guidelines recommend compensating non-executive directors for their time commitment and responsibilities in the role. However, Hahn and Lasfer (2011) argue that the recommendations were relatively general in that they did not identify important factors that would enable corporations to best determine the remuneration of their non-executive directors.

Indeed, the remuneration of non-executive directors is ambiguous and lacks transparency. For instance, taking into account the roles of individual directors and task-related criteria of board members, the process of selecting and making new appointments and the measurement criteria are more crucial matters that require more attention. Furthermore, the unique fact that non-executive directors often determine their remuneration brings inherent conflicts of interest.

The remuneration of non-executive directors and individuals' characteristics have attracted a recent line of research (Carretta et al. 2006; Marchetti and Stefanelli 2009; Mallin et al. 2015; Goh and Gupta 2016; Fedaseyeu et al. 2018; Núñez et al. 2022). These results have confirmed the influence of the non-executive directors' attributes and the remuneration they received. However, the dominant themes of the existing literature on director remuneration mainly view non-executive directors as a collective body with little distinction of individual roles and responsibilities, time commitment, and skills (Hahn and Lasfer 2011) and have focused specifically on firm-level or board-level rather than on individual director-level, (see Lu et al. (2022) for a recent review). The time commitment and the contribution made by each non-executive director are based on his/her capabilities and experiences (Forbes and Milliken 1999), which are likely to differ across non-executive board members. Goh and Gupta (2016) found a significant variation in the remuneration of the chairperson and those of other non-executive directors on the board, even though both bodies are considered non-executive roles. Therefore, the new wave of the literature suggests that looking separately at the relationship between individual characteristics and the remuneration of each non-executive director is warranted as their roles, responsibilities, and capabilities are different and are not homogeneous. Similarly, prior work has primarily focused on the committee as a level of analysis and relied on aggregating directors' characteristics. However, Kolev et al. (2019) argue that committee chairs are likely to have greater power than other committee members, as the committee chair sets its agenda. The committee chair's role is often highly important among committee members and therefore should be extensively looked into. The committee chair's qualities and characteristics may be sufficient to determine their remuneration, regardless of the other committee members' characteristics. While research advances our understanding of non-executive remuneration, it is necessary to follow up on initial impressions and examine the committee chair's characteristics, such as governance mechanisms, and human and social capital. The monitoring of board independence, roles, knowledge, skills, experience and network status helps to substantiate findings at the committee level.

In this study, I extend prior literature to fill this gap and examine the determinants of remuneration for the Remuneration Committee Chairperson (RCC), as one particular role in the board with specific tasks and responsibilities. Addressing this, this study extends existing research in the determination of non-executive directors' remuneration and considers one important role in remuneration-setting processes. I consider the RCC because s/he is the member of the remuneration committee that essentially determines its effectiveness (Main and Johnston 1992, 1993). The RCCs, in particular, play a key role in managing and coordinating the remuneration committee, dealing with the various constituencies, negotiating with the senior management, and liaising with the remuneration consultants and external advisors (Main et al. 2008). The RCC position is a pivotal actor and requires a higher engagement level with broader related parties, making the RCC's role a relatively onerous appointment. This is both in terms of time and effort. In the remuneration arrangements, Bender (2011), highlights the focal point of RCCs with broader parties such as the board of directors, remuneration committee, remuneration consultants, shareholders, and other stakeholders, including regulators. Main et al. (2008) argue that despite the continued effort to ensure the integrity of the pay process, the key role played by the RCC has previously been overlooked, underestimated and undervalued to date (Main et al. 2008).

In this paper, I examine the extent to which RCC's remuneration was influenced by various individual characteristics that are widely used in previous related literature. The RCC's characteristics are additional committees' roles, length of service in the position, previous board experience, current board experience, network size, age, and gender. These characteristics are likely to have an impact on values, cognitive styles, information processing, and therefore salary levels (Horton et al. 2012; Goh and Gupta 2016). Besides, to eliminate the impact of firm variables (which have been documented in the literature to impact remuneration settings for both executive and non-executive directors' remuneration), I consider the size of the business, the performance, the size of the board, the independent directors, the year, and the sectors.

Using a sample of UK FTSE 350, I investigate the determinants of RCC remuneration for 2174 RCC-year-firm observations between 2010 and 2020. After controlling firm characteristics, the results show that RCC's remuneration is increasing due to additional committees' roles, length of service in the position, previous board experience, and general experience by age. The results demonstrate a significant gender pay gap for RCCs in the same position with similar duties and responsibilities. RCCs' remuneration is mainly determined by their observable efforts, time commitment, and accumulated experience.

This study offers several contributions to the existing literature on corporate governance. Our evidence indicates that the individual-level characteristics and task-specific roles are contractually priced and can explain the differences in remuneration for similar task-specific roles. This paper also contributes to the relatively scarce literature on the remuneration of non-executive directors, and Remuneration Committee Chairman (RCCs). It brings new insights into the pay-setting process at the director level and gives a better understanding of how RCCs are compensated. Second, the RCC's roles, in particular, have been overlooked despite their importance in setting the remuneration process, I bring new insights into how RCC individual-level characteristics can explain the remuneration pay gap between them, even for similar positions with similar task-specific roles at other firms. Overall, the study supports that investigating separate types of directors at the director level is worthwhile, instead of treating them as a single group of directors. Third, this study contributes to regulatory and governance bodies by demonstrating how the corporate governance best practices code works in practice. It seems that the UK Corporate Governance Code has been proven to be implemented. In particular, RCCs' remuneration reflects time commitment to the role, responsibilities, and accumulated experience. The implications for policymakers are that they can make informed decisions about aligning with best practices in corporate governance and other policy development. The implications of this research are also significant for non-executive directors. Since this study confirms that certain individual characteristics drive the remuneration of RCCs, it can provide valuable insights for non-executive directors. The knowledge about what individual characteristics are preferable for a specified role can improve non-executive directors' self-evaluation and tailor their approaches to their current or future roles.

The remainder of the paper proceeds as follows. Section 2 discusses the study background. Sections 3 and 4 present a theoretical and empirical literature review, as well as the development of hypotheses. The research design, empirical models, variable measurements, and sample are discussed in Section 5. Section 6 presents the empirical results and discussion. Section 7 provides a summary and conclusion.

2. Background

The role of non-executive directors has received significant attention from regulators and scholars alike, emphasizing its pivotal contribution to enhancing corporate governance. Particularly in the UK, the significance of remuneration committees within the corporate governance framework has been evident since early on, as reflected in various guidelines such as The Combined Code on Corporate Governance (2003, 2008) and its subsequent revisions through The UK Corporate Governance Code (2010, 2012, 2018, 2024). Throughout the evolution of the UK Corporate Governance Code, several independent reviews conducted by notable figures such as Cadbury (1992), Greenbury (1995), Hampel (1998), Higgs (2003), Tyson (2003), Walker (2009), and Davies (2011) have underscored the crucial aspects of board roles, board independence, gender diversity in board representation, financial acumen among board members, and the remuneration structure for non-executive directors.

The UK setting is distinct relative to that of the US since the remuneration of non-executive directors in the UK is almost entirely cash-based, with no performance-related element, suggesting that their remuneration is largely set ex-ante. While corporate governance guidelines in the UK give extensive guidance on executive pay, they suggest only that firms compensate non-executive directors for their 'time commitment and responsibilities of the role' (The Combined Code on Corporate Governance 2003, sct. B.1.3). According to the wider application of the Corporate Governance Guidelines, non-executive directors play a vital role in delivering high standards of governance. "The responsibilities of each director and committee member should be clear, agreed by the board, and made publicly available" (Provisions 14: The UK Corporate Governance Code 2018). Moreover, "the board should take into account other demands on directors' time and the length of service on the board when making new appointments" (Provisions 15: The UK Corporate Governance Code 2018). Therefore, the roles of non-executive directors can differ from one to other non-executive director on the same board.

The agency's theory highlights the importance of non-executive directors' remuneration as the commonly used governance mechanism to strengthen directors' monitoring roles (Fama and Jensen 1983). Therefore, it is important to ensure the remuneration of non-executive directors is not structured in a way that jeopardizes this vital role. The majority of the current remuneration of non-executive directors worldwide is structured only in fixed remuneration and differs significantly from the remuneration of executives. Executive directors' compensation usually includes variable components of financial performance. Performance-based remuneration for non-executive directors will restrain their primary monitoring role and independent judgment. The UK Corporate Governance Code emphasizes that remuneration for non-executive directors should be structured to mitigate incentivized behaviors and uphold the integrity of decision-making processes. This entails excluding share options or other performance-related elements from their compensation packages. Instead, remuneration should be commensurate with the time commitment and responsibilities inherent in the role, reflecting the substantial contributions non-executive directors make to the board. Furthermore, individual experience and qualifications should be taken into account, ensuring that remuneration aligns with the value they bring to the organization's governance framework.

In practice, the remuneration committee assumes the critical responsibility of crafting compensation packages for both executive and non-executive directors. These packages undergo evaluation by board members themselves, ultimately requiring shareholders' approval. Consequently, the implementation of a formal board assessment process holds significant sway over the level of remuneration and how directors reward themselves. Thus, Transparency lies at the heart of corporate governance, serving as a cornerstone in cultivating investor confidence and garnering support for remuneration plans. Investors rightfully demand comprehensive disclosure regarding the underlying philosophy driving remuneration plans for each non-executive director. This entails elucidating how these plans are meticulously crafted to align with shareholders' interests (Provisions 34: The UK Corporate Governance Code 2018).

It is imperative that the compensation of non-executive directors be distinctly determined, independent of other board members, reflecting the unique nature of their roles. However, despite the emphasis on transparency, there remains a notable deficiency in the transparency surrounding the remuneration of non-executive directors. Attention must be directed towards scrutinizing the individual roles and responsibilities of directors, the selection process, protocols for new appointments, and the criteria employed in measuring their performance.

3. Theoretical Literature Review

At the heart of the corporate governance system, boards of directors are responsible for the governance of companies and ensure an appropriate governance structure is in place on behalf of the shareholders' role. Agency theory suggests that the board of directors plays a key governance role in monitoring firm managers and protecting the interests of shareholders (Fama and Jensen 1983). In recent years, much emphasis has been placed on the importance of effective boards of directors and their influence on the and success of companies. From the perspective of shareholders, the board and its committees should have a combination of skills, experience, and knowledge to monitor the firm and provide expert guidance on specific matters. Thus, the board's main duties are to provide control and service tasks, the board members cooperate to exchange information and evaluate the competing alternatives to reach well-reasoned decisions. Meanwhile, the dynamic role of non-executive directors may differ among boards of different types of organizations and for each board member. "Board task performance is likely to be influenced by social-psychological factors: effort norms, cognitive conflict, and the board's use of its knowledge and skills" (Forbes and Milliken 1999, p. 493).

The agency's theory highlights the importance of non-executive directors' remuneration as the commonly used governance mechanism to strengthen directors' monitoring roles (Fama and Jensen 1983). The unique agency fact that non-executive directors often determine their remuneration brings inherent conflicts of interest. Besides the agency's theory, previous studies have also illustrated several theoretical perspectives and different approaches at the board level. Specifically, the role of non-executive directors relies on performing their independent monitoring roles and resource provisioning functions appropriately. Scholars argue that directors must have the necessary combination of human and social capital (Becker 1994; Hillman and Dalziel 2003; Withers et al. 2012; Lin 2017). Scholars at the board-level research are calling for the more extensive application of other management theories to gain a more detailed picture of the role of boards and committees in governance (see Kolev et al. 2019 for a review). Non-executive directors, for example, use their characteristics to enhance monitoring quality and keep their independence during their monitoring duties. Such a role requires a combination of knowledge, skills, expertise, current external board experience, and networking for or with an external board. Therefore, it is a challenge to distinguish between human and social capital.

In the context of remuneration committee chairs, the non-executive directors are more likely to become committee chairs due to their monitoring, counseling skills (resource dependence theory), and network status (network theory) characteristics, and these characteristics are translated into their remuneration. Even though the remuneration committee serves a specific purpose, the chair's human and social capital may play an even bigger role in deciding their pay.

4. Empirical Literature Review and Hypotheses Development

4.1. Non-Executive Directors' Remuneration

The results available from the existing literature suggest that the remuneration of non-executive directors varies depending on the role performed and the responsibilities taken on the board, the time devoted to the company, the professional profile and experience, and the personal attributes of a person who is taking on such a role. For example, Marchetti and Stefanelli (2009) found the determinants of outside directors' compensation were related to the characteristics of the outsider's profile (in terms of the role and responsibility, meeting activities, length of service, and the director's popularity) of 233 outsiders belonging to 40 UK companies listed on the London Stock Exchange Market in 2005. Using a larger sample of UK FTSE All-Share (3708 firm-year observations; 12,689 directors'-years observations) from 2001 to 2012, Goh and Gupta (2016) confirmed that remuneration of non-executive directors was positively linked to directors' characteristics (age, tenure, and network size), suggesting that non-executive directors' ability to contribute to board decision-making and their set of resources are valued by firms. Mallin et al. (2015) found that non-executive directors' remuneration was mainly based on the observable exerted effort and responsibilities for a sample of 91 Italian non-financial listed firms (273 firm-year observations; 856 director-year observations) in the period 2007–2009 They also confirmed the same results for the UK pair sample. Based on a sample of 1621 Australian listed firms (8737 firm-year observations) for the period 2004 to 2012, Bugeja et al. (2014) found that non-executive director compensation was associated with the director's-specific determinants (reputation, experience, connectedness, and the directors' involvement with the firm). Fedaseyeu et al. (2018) found that the outside directors' remuneration was tied to the skills and experiences for a large sample of US-listed firms (1777 firm-year observations; 13,239 director-year observations) between 2006 and 2010; their results showed that more qualified directors perform more board functions and thus receive higher pay. Núñez et al. (2022) found that professional and personal attributes were the main determinants of directors' compensation for Spanish-listed companies IBEX 35 (1458 firm-year observations; 531 director-year observations) during the period 2015–2017 (in terms of the position category on the board, gender, age talent attributes, and the seniority in the company on the board).

The results above have confirmed the influence of the non-executive directors' attributes and the remuneration they received. However, the dominant themes of the existing literature on director remuneration mainly view non-executive directors as a collective body with little distinction of individual non-executive director roles and responsibilities, time commitment, and skills; and have focused on firm or board level rather than on individual director level issues (Hahn and Lasfer 2011) (see Lu et al. 2022 for a review).

However, since "most board members face many constraints and competing demands for their time, the time that directors devote to their tasks can differ considerably across board members, and these differences can significantly determine the degree to which boards can represent shareholders' interests successfully and make contributions to strategy" (Forbes and Milliken 1999, p. 493). Goh and Gupta (2016) found a noticeable variation in the remuneration and individual characteristics of the chairperson compared with those of other non-executive directors on the board even though both bodies are considered non-executive roles. Therefore, they argued investigating the individual characteristics that drive the remuneration of each non-executive director is warranted, as their role, responsibilities, and capabilities are different.

In this study, I extend prior literature to fill this gap and examine the determinants of remuneration for the Remuneration Committee Chair (RCC), as one particular (specific) role on the board. I consider the RCC because s/he is the member of the remuneration committee that essentially determines its effectiveness (Main and Johnston 1992, 1993). As stated in the UK Corporate Governance Code: the remuneration committee has the responsibility to assist the company board to have an appropriate reward policy, to attract executives and non-executives, and to achieve the interests of shareholders.

4.2. RCC Director-Specific Determinants Hypotheses

Corporate Governance clearly defines the responsibilities of Remuneration Committees. Drawing inspiration from the UK Corporate Governance Code, RCCs assume a pivotal role in the remuneration process with specific tasks and responsibilities. Primarily, RCCs are entrusted with the critical task of recommending, monitoring, and reviewing compensation policies for the board of directors, and ensuring equitable and strategic remuneration practices across the board. RCCs are tasked with obtaining and analyzing reliable compensation data from companies with similar complexities and operational environments. Additionally, RCCs bear the responsibility for providing comprehensive reports to the board of directors after each meeting, detailing all discussions within their jurisdiction, fostering transparent and continuous communication with shareholders to apprise them of significant matters on the remuneration policy and attending the Annual General Meeting to address any inquiries regarding committee proceedings. Simultaneously, RCCs must maintain vigilance in keeping abreast of pertinent legal and regulatory requirements, as well as corporate governance directives, and collaborate with other board committees to ensure the integration of remuneration information into the annual report, thereby ensuring adherence to compliance and best practices.

The RCCs, in particular, play a key role in managing and coordinating the committee, establishing the appropriate relationship with senior executives, dealing with the various constituencies, negotiating with the senior management, liaising with the remuneration consultants and the external advisors (Main et al. 2008). The RCC is considered the focal point of the remuneration arrangements with broader parties, particularly with the board of directors, remuneration committee members, remuneration consultants, shareholders, and other stakeholders including regulators (Bender 2011). For instance, Adamson et al. (2015) outline the context of the development of remuneration consultants' services in the UK. They suggest that the rise of the role of remuneration committees in the UK corporate governance landscape has fostered the emergence of remuneration consultants' services. For example, many remuneration consultants are closely connected to and work exclusively with remuneration committees.

The payment arrangements need to fulfill the expectations of related parties and achieve an acceptable outcome for all stakeholders. Therefore, for compensation arrangements to be successful, RCC requires a proper allocation of time and resources, effort, and significant commitment (Main et al. 2008). In doing so, the remuneration committees would consider each individual's directors' performance, responsibilities, and experience for setting pay levels and identifying a range of possible pay levels for each executive director (Ogden and Watson 2012). In essence, based on the comparable scales provided by consultants or any other external market data sources. For example, the compensation of other companies in a similar industry and characteristics. Bender (2011) highlights that the RCC takes a major role in managing remuneration consultants' process, and consultant appointments, and in evaluating the quality of the information provided by external consultants. Despite the importance of the RCC's role in the pay-setting process, the RCC's key role in particular has little scholars' attention (Main et al. 2008).

In this paper, I build upon the various individual characteristics that are widely used in prior related literature. Specifically, I investigate the determination of RCCs remuneration, by considering RCCs individual directors' roles on the board, other committees' tasks, time devoted to the board, and experience in determining their remuneration.

The Additional Committee's role. According to the wider application of the Corporate Governance Guidelines, the remuneration for non-executive directors should reflect the time commitment and responsibilities of the role. This highlights that non-executive directors' remuneration depends on the role that non-executive directors perform on the board. Cordeiro et al. (2000) argued that with the greater effort and time commitment elicited by increased external monitoring, directors might well require higher compensation. In practice, non-executive directors can sit on multiple committees within the board, which introduces substantial variation in effort and time commitment across non-executive directors from the same board. The additional committee role creates additional responsibilities for the board, which allows for additional compensation (Higgs 2003). These roles carry additional responsibilities over the basic non-executive director role and may therefore receive additional remuneration (Adams and Ferreira 2008; Boyd 1994; Brick et al. 2006; Cordeiro et al. 2000; Linn and Park 2005). Consistent with being remunerated for additional accountability and responsibility, prior literature found that directors who perform more board functions receive higher pay (Goh and Gupta 2016; Bugeja et al. 2014; Fedaseyeu et al. 2018). I expect higher remuneration by sitting in one or more board committees besides their RCC role. This entrusted additional tasks, a higher level of RCC engagement with other committees, extra meeting time, and more effort within the other committee's activities and areas of responsibility. Therefore, it has a positive and significant impact on their remuneration.

H1: *Additional committee roles are positively related to RCC remuneration.*

The length of service. The length of service within the board is also another attribute that prior literature highlights as an important driver of non-executive remuneration. Theoretically, firm-specific knowledge and skills refer to detailed information about the firm and an intimate understanding of its operations and internal management issues (Forbes and Milliken 1999). Thus, length of service indicates accumulated firm-specific knowledge and experience over time (Ryan and Wiggins 2004; Chen et al. 2017; Fedaseyeu et al. 2018), more understanding of the company business (Belcredi and Bozzi 2019), and is indicative of firm human capital investment for future success (Ma and Pan 2017). Existing research found that non-executive directors' remuneration is positively linked to their length of service (Marchetti and Stefanelli 2009; Goh and Gupta 2016; Bugeja et al. 2014). Along with previous literature results, I expect a higher remuneration for RCCs that have a unique service for a long time. On one hand, they either maintain good relations with the board of directors or earn trust and support from shareholders by performing their duties efficiently (Marchetti and Stefanelli 2009), in terms of organizing and setting remuneration packages. On the other hand, serving for a long time might signal an entrenchment, and win a friendship with top management and other board members (Vafeas 2003). Both scenarios increase the possibility of higher remuneration levels than those who do not.

H2: *The length of service is positively related to RCCs remuneration.*

The previous board experience. Experience from other corporate roles, either prior or current board experience, has received particular attention in the non-executive director remuneration literature. The previous board experience from other boards enhances the non-executive directors' experience and contribution to the board decision-making process (Beckman 2006). The accumulated experience over time indicates multiple points of view of knowledge that enable non-executive directors to perform better to fulfill their assigned board duties, activities, and responsibilities (Carpenter et al. 2001; Hillman and Dalziel 2003; Beckman 2006). Furthermore, it enables the non-executive director to learn skills from prior directorships to better manage relationships internally with the board of directors and externally with shareholders. Such previous board experience enables the non-executive directors to negotiate higher pay; they may also feel more confident about their contribution to the board and, thus, be better positioned to negotiate higher pay or ask for more remuneration. According to (Bugeja et al. 2014), non-executive directors who have more experience are better equipped to fulfill their duties. Therefore, they are expected to require a higher level of compensation to be attracted and retained by the firm. Mallin et al. (2015) found that non-executive directors with more previously held directorships are paid higher remuneration. I expect previous board experience to enable RCCs to design appropriate compensation packages for executive and non-executive directors including their pay, as well as justify packages to shareholders and regulatory bodies. I expect RCCs' prior board experience to be positively associated with their remuneration.

H3: *RCCs' prior board experience is positively related to RCCs' remuneration.*

The current board experience. In the same vein, the current board's experience is used in the existing literature as a proxy to capture the experience of non-executive directors (Hillman and Dalziel 2003). The current board experience reflects the market demand for good monitoring experience of directors in other firms and a signal of director quality and higher reputation in the market for directors to serve shareholder interests (Fama and Jensen 1983). The directorships held by individual directors permit them to perceive more skills and experience from other boards/firms' operations they oversee. Thus, having appropriate competence and capabilities to perform the board roles. Bhagat and Black (1997) and Ferris et al. (2003), Jermias and Gani (2014), Kroll et al. (2008), among others, found that directors who serve on multiple boards improve decision-making and correlate positively with the firm performance. External boards provide additional experience in strategic decision-making, and additional knowledge of internal processes and facilitate the transfer of best practices among companies (Goh and Gupta 2016). According to available remuneration, the literature provides evidence that non-executive directors with a greater current board experience are paid significantly more, as they benefit from higher reputation and market demand (Cordeiro et al. 2000; Adams and Ferreira 2008; Horton et al. 2012; Bugeja et al. 2014; Goh and Gupta 2016). RCCs who hold more directorships may gain additional knowledge on sitting the remuneration process from other firms they serve and add for better evaluation of the remuneration system efficiency compared to other settings. Furthermore, it facilitates transfers of remuneration best practices that enable objectivity in remuneration settings, including their pay. I, therefore, expect that current board experience in other firms is positively related to RCCs remuneration.

H4: *RCC's current board experience is positively related to RCC's remuneration.*

The Network size. Similarly, a director's network reflects links to other organizations and networks. A network of administrators has resulted from formal education, training, former employment relationships, numerous board seats in other companies, and membership in professional associations. Overall, it signals significant professional or personal accomplishment. Collectively, these networking capacities provide greater access to information on the industry, business-specific knowledge, economic conditions, and regulations. Thus, it provides additional skills and knowledge, enhances decision-making, and adds to better business performance (Hillman and Dalziel 2003; Horton et al. 2012; Larcker et al. 2013). Due to their knowledge of their networking capabilities and future directorship opportunities, they seek higher remuneration. Goh and Gupta (2016) found that directors who have a larger network receive higher remuneration. In this regard, due to the specific role of RCCs, network size can aid in gathering timely remuneration information across that market that enables to evaluation and design of remuneration packages aligned with other firms. In addition, enhance the ability to utilize a remuneration consultant or other outside advisor for assistance with remuneration arrangements. I expect that RCCs with a larger network are associated with higher remuneration. I measure the size of RCCs' network, provided by BoardEx, as the average of the overlapping network through individuals' employment, other activities, and education.

H5: *RCCs network size is positively related to RCCs remuneration.*

Age. In addition to quality individual characteristics, the personal attributes of the directors are particularly relevant. Personal characteristics such as age are the most noticeable demographic attributes among directors that prior literature highlights, as important drivers of non-executive remuneration. Age cohort proxies as a general level of experience that accumulates with time, accumulates valuable experience, and is believed to help in minimizing uncertainty, coping with change, and dealing with complexity through the accumulated experience, and decision-making skills. Prior literature provides evidence that the age of non-executive directors was positively derived from their remuneration levels. For example, (Carretta et al. 2006; Marchetti and Stefanelli 2009; Mallin et al. 2015; Goh and Gupta 2016; Fedaseyeu et al. 2018) found that age is significantly positively related to compensation, but with a small economic magnitude. Núñez et al. (2022) also found that the age of the director has a positive effect on the compensation level up to 58 years, thereafter, the relationship turns negative. Thus, I expect RCC's age to be *positively* associated with their remuneration.

H6: *RCCs' Age is positively related to RCCs' remuneration.*

Gender. Gender diversity is believed to improve the quality of decision-making by reflecting a diversity of experience and bringing alternative perspectives to board discussion. Board diversity can improve the presence of different categories of shareholders, and therefore safeguard their interests (Huse and Rindova 2001). Female directors are less likely to engage in unethical behavior to gain financial rewards. They show greater risk aversion, and better ways to obtain voluntary information which may reduce information asymmetry between board directors (Gul et al. 2009; Gavious et al. 2012) and positively contribute to firm value (Campbell and Mínguez-Vera 2008; Adams and Ferreira 2009; Ahern and Dittmar 2012). Men are found to benefit more from establishing networks than their women counterparts (Fang and Huang 2017). Recent corporate governance practices have advocated for greater female representation in the boardroom and pay for female directors in recent years. Previous studies have paid attention to gender pay gap issues for executive directors' compensation (Geiler and Renneboog 2015). The research on gender pay issues among non-executive remuneration within the same board has been given little academic attention and mainly focused on board levels, as a percentage of female board members. Only a few studies have considered the influence of gender at the level of individual non-executive directors and documented the gender pay gap in general (Hahn and Lasfer 2011; Tarkovska et al. 2023; Marchetti and Stefanelli 2009; Bugeja et al. 2014; Goh and Gupta 2016; Fedaseyeu et al. 2018; Belcredi and Bozzi 2019). However, the specific role that female non-executive directors play on the board is not taken into account in these studies. This adds to the ambiguity about whether the pay gap is primarily due to gender or other explanatory variables. Bugeja et al. (2014) and Goh and Gupta (2016) have considered the chairman role of the board and documented a similar gender pay gap. Here, I extend the literature by examining the gender pay for specific roles that RCC plays in setting remuneration packages. I anticipate that the remuneration of a director will be determined by their specific role and experience, as well as their gender. Thus, I do expect the *RCCs' gender* diversity is positively related to RCCs' remuneration

H7: *RCCs' gender diversity is positively related to RCCs' remuneration.*

4.3. Economic Determinants: Firm Characteristics

In addition to personal characteristics, previous studies have highlighted that variables related to the company's characteristics are also linked to the remuneration of non-executive directors. The monitoring and advising duties vary across the economic characteristics which depend on the difficulty and complexity of the firm (Fama and Jensen 1983). The increased difficulty and complexity of the firm suggest that RCCs would be expected to commit a greater amount of effort and time to managing the setting of efficient compensation arrangements (Al-Okaily et al. 2022; Al-Okaily et al. 2023). The relevant literature usually observed a positive association with firm size (Hempel and Fay 1994; Boyd 1994; Cordeiro et al. 2000; Brenner and Schwalbach 2003; Ryan and Wiggins 2004; Linn and Park 2005; Brick et al. 2006; Farrell et al. 2008; Marchetti and Stefanelli 2009; Shiyyab et al. 2014; Bugeja et al. 2016; Núñez et al. 2022).

The relationship between non-executive director compensation and firm performance has resulted in a lot of literature with contradictory findings. Hahn and Lasfer (2011) argued that non-executive directors' remuneration may be linked to a performance function. To align non-executive directors with their responsibilities and improve the efficiency of boards. Ting (2016) argued that firms reward directors to retain their valuable human capital for future success. Cordeiro et al. (2000) and Ryan and Wiggins (2004) find a positive impact of firm performance on director compensation.

Previous studies also have confirmed the impact of corporate governance context on directors' compensation. For example, multiple studies found that directors' compensation is positively related to larger boards (Hempel and Fay 1994; Brick et al. 2006) and boards with more independent directors as more effective corporate governance due to greater reputational costs (Fama and Jensen 1983; Ryan and Wiggins 2004; Coles, Jeffrey. Naveen Daniel, and Lalitha Naveen, 2008, Boards: Does one size fit all?; Linck et al. 2008; Núñez et al. 2022). Furthermore, previous research has validated the impact of corporate governance on multidisciplinary disciplines (see Al Maeeni et al. 2022; Kumar et al. 2022; Khatib et al. 2022; Khatib et al. 2023; Al-Adwan et al. 2022; Alsaad and Al-Okaily 2022; Abd Rahman et al. 2020; Aws et al. 2021; Al-Okaily 2023; Shiyyab et al. 2023). Firm characteristics are controlled for in this study, in line with previous empirical research, by incorporating firm size, firm performance, board size, and the proportion of independent directors' variables.

5. Research Design

5.1. Research Model and Variables Definitions

I regress RCC remuneration, the dependent variable, against two groups of independent variables. The first group is RCC's characteristics, represented by seven variables. RCC Additional committee role, Length of service, Previous boards' experience, Current boards' experience, Network size, Age, and Gender. The second group utilizes six control variables that represent the firm-specific variables. These variables are firm size, firm performance, board size, and board independence, as well as year-specific and industry-specific effects. All RCCs and firm characteristics variables are lagged by one year since the remuneration is often set at the beginning of the year. Hence, the regression model is represented as follows:

$$\begin{aligned} \mathrm{RCCRem}_t = \propto \; & +\beta_1 \mathrm{AComR}_{t-1} + \beta_2 \mathrm{LServ}_{t-1} + \beta_3 \mathrm{PBExp}_{t-1} \\ & +\beta_4 \mathrm{CBExp}_{t-1} + \beta_5 \mathrm{NWork}_{t-1} + \beta_6 \mathrm{Age}_{t-1} \\ & +\beta_7 \mathrm{Gender}_{t-1} + \beta_8 \mathrm{BSize}_{t-1} + \beta_9 \mathrm{BIndp}_{t-1} \\ & +\beta_{10} \mathrm{FSize}_{t-1} + \beta_{11} \mathrm{FPerf}_{t-1} + \mathrm{Year}_t \\ & +\mathrm{Industry}_t + \varepsilon \end{aligned} \tag{1}$$

RCCRem is the natural logarithm of RCC remuneration, including fees and other fixed benefits. AComR (Additional Committee Role) is a dummy variable equal to 1 if an RCC is a member of the audit or the nominating committee on the same board and 0 otherwise. LServ (Length of Service) is the number of years an RCC has been in its current position. PBExp (Previous boards' experience) is a continuous variable that reflects the number of previous company board seats in other listed firms. CBExp (Current Board's Experience) is the number of other current directorships in other listed firms. The network is the number of network sizes. AGE is RCC's age in years. Gender is a dummy variable equal to 1 if an RCC is female and 0 otherwise. All variables are expected to be positively related to RCC remuneration. The control variables are FSize, (Firm size) measured as the natural logarithm of closing total assets, FPerf, (Firm Performance) measured by Tobin Q, BSise, (Board Size) measured as the natural logarithm of the number of directors on the board and. BIndp (Board Independent) is measured as the proportion of non-executive directors to the total number of the board. Table 1 defines the variables in the model.

Table 1. Defining Variables in the Model.

Variables	Descriptions	*The Expected Relationship (Sign)*
	Dependent Variables: RCCs Remuneration	
RCC REM	The Ln of RCCs Remuneration for the year (t).	
	Independent Variables: The RCC's Individual Characteristics	
AComR	Dummy variable if RCC is also in other board committees.	Positive (+)
LServ	The number of years in this current position.	Positive (+)
PBExp	The number of previous board seats in other listed firms.	Positive (+)
CBExp	The number of current directorships in other listed firms.	Positive (+)
AGE	RCC's age in years.	Positive (+)
NWork	The natural logarithm of network size.	Positive (+)
Gender	Dummy variable if RCC is female.	Positive (+)
	The Controls Variables: Firm Characteristics	
FSize	The natural logarithm of closing total assets	
FPerf	Tobin's Q ratio.	
BSise	The Ln of the number of board members.	
BIndp	The proportion of independent directors on the board.	
YearDumy	The year's indicator variable.	
InduDumy	The sector industries' indicator variable.	

5.2. Research Data

The sample consists of RCCs of firms that were members of the FTSE All-Share Index at each year-end from 2010–2020. I exclude insurance and financial firms, real estate, and investment trusts from our sample since they have different governance arrangements. I obtain data on remuneration and RCC characteristics from BoardEx, and accounting and market data from Refinitiv Datastream. All continuous variables are winsorized at the 1st and 99th percentiles. Index membership and industry classification are obtained directly from FTSE. After excluding observations with missing data, our final sample consists of 2174 RCC-year-firm observations. Table 2 below presents sample selection criteria.

Table 2. Sample selection criteria.

Available Remuneration Committee Chair (RCC) Data	2302
Missing data of RCCs Remuneration data	72
Excluded RCCs data for the first year of appointment as RCCs	34
Winsorizing 1st and 99th percentiles	22
Final sample	2174

6. Empirical Results and Discussion

6.1. Results

6.1.1. Descriptive Statistics

Table 3 provides the descriptive statistics for RCC variables. The mean value of total RCC remuneration for the sample period is £73.569 (median £63.000). The RCCs' remuneration is higher compared to the mean remuneration for non-executive directors of £51,220 reported by Goh and Gupta (2016) during the 2001–2012 period.

Table 3. Descriptive Statistics.

Variable	Obs.	Mean	Median	Std. Dev.	Min.	Max.
RCCRum (thos £)	2174	73,569	63,000	41,345	5000	582,000
Gender	2174	0.307	0.000	0.461	0.000	1.000
Age	2174	60.040	60.000	6.557	41.000	74.000
LServ	2174	3.797	3.500	2.435	1.000	9.800
CBEXP	2174	2.282	2.000	1.184	1.000	8.000
PBEXP	2174	3.87	9.000	11.658	1.000	12.00
AComR	2174	0.82	1.000	0.231	0.000	1.000
NWork	2174	1105.135	1027.000	1648.721	11.000	2767.000
BSize	2174	9.059	9.000	2.048	4.000	17.000
BIndp	2174	0.603	0.600	0.122	0.400	0.830
FSize (mill £)	2174	8,820,887	2,000,000	25,647,678	30,605	320,000,000
FPerf (TobinQ)	2174	2.247	1.660	4.057	0.390	80.940

Note: RCCRum is RCC remuneration in thousands of £. AComR, dummy variable equal to 1 if RCCs is a member of the audit or nominations committee and 0 otherwise. LServ is the number of years in this current position. PBExp, is the number of previous board seats in other listed firms. CBExp is the number of other current directorships in other listed firms. NWork is the natural logarithm of RCC's network size. Age is RCC's age in years. Gender is a dummy variable equal to 1 if RCC is female and 0 otherwise. FSize is the natural logarithm of closing total assets in millions £. FPerf is the TobinQ ratio. BSise is the natural logarithm of the number of board members. BIndp is the proportion of independent directors on the board.

Table 3 shows that on average, 31% of the observations in our sample have female chairwomen. This is different from the result reported by Adams and Ferreira (2009) who find that female directors are less likely to sit on the compensation committee for a sample of US firms from 1996 to 2003. Goh and Gupta (2016) show that for the FTSE 100, the proportion of female non-executive directors nearly doubled from 8.3% to 16.4%

from 2001–2012. Núñez et al. (2022) observe that women represented 19% of the sample for Spanish-listed companies in the period 2015–2017. Table 3 also shows that the mean age is 60 years and varies from 41 to 74 years. It also shows that the average length of service for RCC is 3.8 years, and it varies between 1 year and 10 years. The average of current boards' experience in other boards of other firms is 2.28, with 8 directorships at the maximum. The average of previous boards' experience is 3.87 and it ranges from 1 to 12 board directorships. Approximately 82% of the observations have an RCC sitting on any of the audits or the nomination committee. This indicates the tie-in of pay-related issues with directors' nomination to attract and retain directors and to ensure the pay level aligns with the financial performance reported in the audit financial statement. The mean of the RCC network size is around 1605 and varies and ranges from 11 to 2767. Overall, these are largely consistent with the findings of earlier studies on non-executive director compensation in the UK context.

6.1.2. Correlations

Table 4 reports correlations between RCC remuneration and our independent variables. It shows that the correlation between these variables is within the conventional limits. I, therefore, continue to include them in our full model. The highest correlations are those between firm size and the board size (0.55 **), and the proportion of non-executive directors from the board (0.417 **).

Table 4. Correlations between RCC and firm characteristics.

	Age	Gender	LServ	CBExp	PBExp	AComR	NWork	BSize	BIndp	FSize
Age	1									
Gender	−0.315 **	1								
LServ	0.158 **	−0.072 **	1							
CBExp	0.043	0.134 **	0.002	1						
PBExp	0.144 **	−0.104 **	0.054 *	0.311 **	1					
AComR	−0.003	−0.023	0.166 **	−0.039	−0.065 *	1				
NWork	−0.007	0.073 **	0.001	0.232 **	0.146 **	−0.037	1			
BSize	0.089 **	0.048 **	0.064 **	0.115 **	0.083 **	−0.204 **	0.263 **	1		
BIndp	0.054 *	0.068 **	0.096 **	0.126 **	0.019	−0.147 **	0.227 **	0.162 **	1	
FSize	0.080 **	0.072 **	0.088 **	0.140 **	0.066 **	−0.143 **	0.355 **	0.555 **	0.417 **	1
FPerf	0.033	−0.050 *	0.001	0.03	0.092 **	0.02	−0.016	−0.045	−0.051 *	0.277 **

* and ** in the table are significant at the level of 10% and 5% respectively. All variables are defined in Table 1.

6.1.3. Regressions Results: The Determinant of RCCs Remuneration

Table 5 reports the results of OLS regression of RCC remuneration on the set of RCCs and firm characteristics. The model has a predictive capacity, Adjusted R-squared (R^2), equal to 0.3543, and the F-value is significant at the 1% level.

Table 5 shows that RCC characteristics explain the variation between RCC's pay. It shows that the additional committees' role is positively and statistically significantly associated with RCC remuneration at the 5% significance level (t value = 2.44). Hence, H1 which states that additional committees' role positively impacts RCC remuneration is accepted. This finding suggests that firms take into account the additional roles that RCCs cover and the effort they exert in remuneration sitting. Untabulated results also show that the additional committees' role is robust to alternative treatments (if an RCC sits on the audit committee or the nomination committee and if an RCC sits on both committees). This result suggests multiple roles taken on within the board allow for higher remuneration, which is expected due to additional involvement in other decision-making and monitoring processes.

Table 5. The Regressions Results.

	Log (RCC Remuneration)
Age	0.00537 *** (3.66)
Gender	−0.0855 *** (−4.07)
LServ	0.0200 *** (5.42)
CBExp	0.0113 (1.37)
PBExp	0.00146 *** (2.68)
AComR	0.101 ** (2.44)
NWork	−0.00706 (−0.76)
BSize	−0.00703 (−1.27)
BIndp	0.141 * (1.70)
BSize	0.119 *** (8.91)
FPerf	0.00728 *** (3.13)
Year	Yes
Industry	Yes
Constant	1.322 *** (8.87)
Observations Number	2174
Adjusted R-squared (R^2)	0.372

Note: t statistics in parentheses, *, **, and *** in the table are significant at the level of 10%, 5%, and 1% respectively. All variables are defined in Table 1.

In the same way, I also find that the coefficient on the length of service is positive and statistically significant at a 1% significance level (t value = 5.42). Thus, H2 which states that length of service positively impacts RCC remuneration is accepted. This finding suggests that any additional board insider experience and knowledge are valued by firms and rewarded more. Moreover, it provides an additional signal for the high demand for specialist knowledge or expertise in remuneration settings that allow for additional remuneration. The length of service is robust to alternative treatment (the time on board instead of time in the role) as the RCC can be a board member before being appointed as a chairman of RC. This result highlights that firm-specific knowledge is highly valued and therefore leads to higher remuneration.

RCC remuneration is related to their accumulated experience. The coefficients on RCC's previous board memberships and their age are positive and statistically significant at the 1% level (t value = (2.68) and (3.66), respectively). Therefore, H3 which states that the previous board's experience positively impacts RCC remuneration is accepted. RCCs with more previous board memberships are paid more remuneration, implying that listed firms pay a premium for experience and reputation for good monitoring positions in other previous companies. Similarly, the general level of experience in terms of RCC age also received large remuneration. Accordingly, H6 which states that age positively impacts RCC remuneration is accepted. These results suggest that firms have recognized and valued RCC accumulated experience as an important attribute in their remuneration.

The results show that the coefficient on RCC gender is negative and statistically significant. Therefore, H7 is not accepted. According to this result, female RCCs are paid less than male RCCs for the same position with similar tasks and responsibilities. Contrary to theoretical predictions, having RCC chairwomen reduces, rather than increases, her remuneration.

Table 5 also shows that firm size is the most important control variable in explaining the level of RCC remuneration (t value = 8.91, 1% level of significance). firm performance measured by Tobin's Q is also related to RCC remuneration (t value = 3.13, 1% level of significance). This implies that firm characteristics variables are significant factors in determining RCC remuneration. The results support the view that larger firms, which are more complex to run, and firms with high performance, pay higher remuneration.

The result also shows that the coefficients on RCC's current board experience and networking size are not significant. This implies that firms do not consider whether RCC is holding additional positions in other companies and they do not offer additional pay for their popularity and networking value. Thus, H4 and H5 are not accepted. These results are also robust to alternative measures (an indicator variable for the number of other-like remuneration committees' directorship in other listed companies and the number of qualifications). Our primary results remain unchanged with these alternative measures. Similarly, the coefficients on board size and the independent board are not statistically significant.

Furthermore, I also re-estimate Model 1 (without lagging the independent variables) and I still find qualitatively similar results. Finally, I re-estimate the main model after clustering the standard errors by firms and years. Our results do not alter. This suggests that the key inferences from our main model are robust to different specifications.

6.2. Discussion

Using a sample of UK RCCs from 2010 to 2020, this paper shows that RCC characteristics provide some explanation for RCC remuneration. After controlling for firm characteristics. RCCs with additional committee roles, longer length of service, and older directors with more previous board experience are rewarded more remuneration. The results confirm the contribution of each of these RCC characteristics in explaining the variability of RCC remuneration along with the impact of firm characteristics.

Other committee memberships increase the director's effort and involvement and allow for additional remuneration. This highlights that non-executive directors' remuneration depends on the role that non-executive directors perform on the board. This is in line with corporate governance guidelines in the UK that recommend firms to compensate non-executive directors for their 'time commitment and responsibilities of the role' (Cadbury 1992; Greenbury 1995; Hampel 1998; The Combined Code on Corporate Governance 2003, sct. B.1.3; Higgs 2003; Tyson 2003; The UK Corporate Governance Code 2010). This is also consistent with Higgs (2003) who demonstrates that multiple committee role creates additional responsibilities over the basic non-executive director role on the board, therefore, allowing for additional compensation.

The length of service is a factor in the remuneration of RCCs. The first scenario is that a higher remuneration for RCCs might signal either maintaining good relations with the board of directors or earning trust and support from shareholders by performing their duties efficiently (Marchetti and Stefanelli 2009). That is, the length of service indicates the accumulation of firm-specific knowledge and experience over time (Ryan and Wiggins 2004; Chen et al. 2017; Fedaseyeu et al. 2018), more understanding of the company business (Belcredi and Bozzi 2019), and can be also indicative of firm human capital investment for future success (Ma and Pan 2017). The second scenario is that a higher remuneration for RCCs might indicate an entrenchment, and win a friendship with top management and other board members (Vafeas 2003).

RCC's remuneration is determined by their experience in terms of previous board experience and overall age. Previous board experience enables non-executive directors to acquire the required skills to perform better in fulfilling their board duties, activities, and responsibilities (Carpenter et al. 2001; Hillman and Dalziel 2003; Beckman 2006). This is also consistent with prior research reports that directors with more board experience receive higher pay (Carretta et al. 2006; Marchetti and Stefanelli 2009; Bugeja et al. 2014; Mallin et al. 2015; Goh and Gupta 2016; Fedaseyeu et al. 2018; Núñez et al. 2022).

Despite the efforts of wider Corporate Governance regulations to improve board diversity. The findings indicate that female RCCs receive a lower salary than male RCCs for the same position with similar tasks and responsibilities. This finding highlights the gender pay gap, which remains a serious issue that needs to be dealt with and eventually clarified. This result is in line with Goh and Gupta (2016) who found that the compensation of female non-executive directors and board chairwomen is lower than that of male non-executive directors. According to their interpretation, female directors do not generate more value than their male counterparts or that gender diversity is not appreciated. Although female directors serve as RCCs, they do not receive the same pay as men. A RCC position is more advantageous to men than it is to their female counterparts.

Studies on non-executive compensation have consistently shown a positive correlation with company size. The firm's size appears as an important driver of RCC's remuneration, consisting of the agency perspective that the board monitoring and advising duties depend on the difficulty and complexity of the firm (Fama and Jensen 1983). Given the difficulty of remuneration tasks (such as greater effort and time), larger firms pay higher remuneration to attract and retain the best people for RCC roles. Similarly, firms with better financial performance pay higher remuneration suggesting that there may be a performance-driven reward (Hahn and Lasfer 2011; Ting 2016; Cordeiro et al. 2000; Ryan and Wiggins 2004).

RCC's remuneration is not affected by its current board experience or networking size. Although directors with multiple directorship positions in other firms have a higher reputation capital, they are not compensated extra for it. The RCCs do not receive additional pay for holding additional positions in other companies or for their networking value. This result contradicts the findings that non-executive director remuneration is positively related to the number of other directorships (Cordeiro et al. 2000; Adams and Ferreira 2008; Horton et al. 2012; Bugeja et al. 2014; Goh and Gupta 2016). The insignificant coefficients show that firms do not welcome the current directorship on other boards for a particular RCC role, which instead reduces their commitment to the board. Liao and Hsu (2013) found that common committee membership can make directors too busy. The insignificant coefficient for networking value is consistent with previous studies. For example, Bugeja et al. (2014) argued that connected non-executive directors do not demand greater pay, whereas Goh and Gupta (2016) argue that networking is not rewarded by firms in monetary terms.

Although I do not find any impact of RCC's current board experience and networking size variables on RCC remuneration, this study hesitates to conclude that these characteristics variables are not associated with RCC remuneration. This is based on the fact that the director's characteristics are inherently captured through a combination of almost all variables, which makes it difficult to differentiate between experience effects and the source of these experiences on remuneration. For example, education qualifications, current corporate experience, and "other like committees' roles" will create better networks. Furthermore, these variables together, will help RCC to be nominated in this company in the first place. Moreover, the skills and knowledge that come with them help them to succeed in their role and gain the trust of the board and shareholders. For example, RCCs have managed long-term relationships; long tuners in their position, and through additional roles in other committees, which they compensated for. Similarly, the previous board experience and age will create better networks, thus leading to the popularity that helps be nominated in a more current place. However, these aspects of human and social capital (e.g., current board experience and networking size) may be valuable to the board but would be of little value to the compensation committee. While these characteristics and influences are important at the board level, remuneration committees exist for distinct purposes and directors' human and social capital may serve different roles (Kolev et al. 2019). This confirms the value of such capital to a remuneration committee chair is likely to be bounded by the nature of the committee's tasks.

Overall, the results are more in line with UK practice that non-executive directors' remuneration should reflect the time commitment and responsibilities of the role (Principles 3. J, The UK Corporate Governance Code 2018). This suggests that UK firms design RCCs' remuneration by taking into account the effort they exert (as RC Chairperson), and any additional roles which they carry in terms of additional committees' membership of the board they are involved in during the year.

7. Summary and Conclusions

The boards of directors have specific requirements for each role that need to be addressed in a more personalized manner. Firms should employ a fair process to evaluate each individual directly instead of using equal or generic pay. The more personalized pay is a reflection of how firms invested in their board and thus their success. This study extends existing research in the determination of non-executive directors' remuneration by considering one important role in remuneration-setting processes. Specifically, it investigates the determination of RCCs' remuneration, considering their roles, time, and their characteristics. According to our knowledge, this paper is the first to discuss the determinants of RCC's remuneration in particular, at the individual director level.

Our results show that RCCs' remuneration is significantly different due to their characteristics, even though they are performing the same position with similar tasks and responsibilities. RCCs' remuneration is mainly based on their observable efforts, time commitment, and accumulated experience. This study offers several contributions to the existing literature on corporate governance. First, this study indicates that UK firms contractually priced task-specific roles and individual-level characteristics, which explains the differences in remuneration for similar tasks-specific roles and positions. Second, this study contributes to the relatively scarce corporate governance literature on the remuneration of non-executive directors in general, and the RCCs' role which has been overlooked despite it is importance in setting the remuneration packages. Third, this study brings new insights into the pay-setting process at the director level and how individual-level characteristics can explain the remuneration pay gap between them even for similar positions with similar task-specific roles in other firms. Therefore, the study suggests that investigating a particular role of directors at the director level is warranted and worthwhile instead of treating them as a homogenous group of directors. Finally, this study contributes to regulatory and governance bodies by demonstrating how the corporate governance best practices code works in practice. The UK Corporate Governance Code appears to have been implemented. For instance, RCCs' remuneration reflects time commitment to the role, responsibilities, and cumulative experience.

Research findings on board of director's compensation can benefit policymakers and practitioners in several ways. Firstly, policymakers can utilize this information to design regulations and guidelines that ensure fair and competitive compensation practices across industries. Understanding the impact of non-executive compensation on employee motivation, productivity, and retention can inform labor policies and employment laws, leading to improved working conditions and equitable remuneration. Secondly, research can shed light on the relationship between board compensation and factors such as board diversity, and expertise, providing valuable information for policymakers and practitioners seeking to improve board effectiveness and accountability. Thirdly, practitioners, such as human resources professionals and organizational leaders, can leverage research findings to design effective compensation packages that attract and retain talent, enhance employee satisfaction, and drive performance. The implications of this research are also significant for non-executive directors. Since this study confirms that certain individual characteristics drive the remuneration of RCCs, it can provide valuable insights for non-executive directors. The knowledge about what individual characteristics are preferable for a specified role of director can improve non-executive directors' self-evaluation and tailor their approaches to their current or future roles. Additionally, insights from such research can support the development of best practices for non-executive compensation that align with organizational objectives, ethical standards, and industry benchmarks. Ultimately, research in this area can contribute to the creation of more effective and equitable compensation practices, benefiting both policymakers and practitioners in navigating the complex landscape of employee remuneration. Overall, research findings in this area can contribute to more informed decision-making and promote better governance practices within organizations.

This study provides topics for future research. The association between being a woman and being paid less, although they play an equivalent role in managing the compensation process, requires particular attention. Future research would explore the gender pay gap for female directors who earn less than male directors for similar positions with the same task-specific roles in other firms. Future research also would explore the RCC's remuneration in the context of executive directors' pay structures, CEO pay, ownership structures, the presence of controlling large shareholders, institutional investors, and family ownership.

Funding: This research received no external funding.

Informed Consent Statement: Not applicable.

Data Availability Statement: Data are contained within the article.

Acknowledgments: I gratefully acknowledge the helpful comments and recommendations made by the Associate Editor and anonymous reviewers. I also thank Alaa Alhaj Ismail. Their support and contributions have been instrumental in shaping this research.

Conflicts of Interest: The author declares no conflicts of interest.

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