

## ARE PROXY ADVISERS HAVING AN IMPACT ON REMUNERATION VOTES?

**Remuneration-related resolutions have faced more opposition from shareholders than other types of resolution so far this AGM season. This is partly due to UK plcs proposing new remuneration policies to remain competitive with their US peers, with pay packages pushing the boundaries of market practice in the UK to date.**

### WHAT WE'RE SEEING

Recommendations from proxy advisers such as Institutional Shareholder Services (ISS) to vote against remuneration-related resolutions are not fatal. All but one of the resolutions examined below were ultimately approved by shareholders, although often by significantly smaller margins compared to previous equivalent votes. The main sources of objection - whether on advisory votes on director remuneration reports or binding votes on director remuneration policy - were pay quantum and structure of long-term incentive. However, objections tended to be in the context of company-specific reasons, such as current financial performance.

### WHAT WE'RE HEARING

We are aware that shareholders are showing more engagement and willingness to discuss remuneration proposals. Yet some remain sceptical of material changes unless it is clear how these align with the company's specific needs and strategies. Companies and their remuneration committees are increasingly prepared to accept a degree of dissent if they are confident that the changes are right for the business, including ultimately for shareholders.

### WHAT WE'RE THINKING

Companies considering making substantial changes to executive pay should undertake significant proactive and early engagement with shareholders. Votes against remuneration reports and policies should be viewed in context and need not raise alarm. Boards should feel confident in making changes next AGM season provided that these can be justified. Investors are more willing to accept that US peers and pay packages form a significant part of a UK plc's competitive landscape where the business has a major US footprint. However, companies looking to match US levels of pay or incentive structures still need to have a broader justification than simply benchmarking, including as to how any proposed changes further company strategy and foster long term growth. It is key for companies to decide what is right for them, their stakeholders and their executives, taking into account the broader market environment.

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## THE IMPACT OF PROXY ADVISERS' RECOMMENDATIONS ON REMUNERATION VOTES

Here we examine a sample of cases where proxy advisers recommended that shareholders vote against remuneration reports and/or policies put forward by UK plc's during the 2025 AGM season. The table shows whether the relevant resolutions were ultimately approved, and compares the voting outcome to the most recent equivalent vote.

FTSE index (Sector)	Resolution(s)	Reasons for proxy adviser recommendation against resolution(s)	Approval	Change since last equivalent vote
<b>FTSE 250 (Insurance)</b>	 Remuneration report	Concerns over CEO and CFO bonus levels at the maximum permitted level, in the context of a takeover and company profitability	<b>63.46%</b>	 <b>35.12%</b>
<b>FTSE 100 (Utilities)</b>	 Remuneration report	Quantum of CEO and CFO salary increases in the context of the wider workforce and performance of the sector overall	<b>60.02%</b>	 <b>30.06%</b>
<b>FTSE 100 (Healthcare)</b>	 Remuneration policy	Increase in opportunity and structure of long-term incentive for the CEO, being out of line with UK market practice and investor expectations	<b>67.04%</b>	 <b>28.91%</b>
<b>FTSE 100 (Financial Services)</b>	 Remuneration report	Level of increase in CEO overall pay package and structure of long-term incentive arrangement, which would not vest based on performance	<b>69.61%</b>	 <b>27.87%</b>
<b>FTSE 100 (Consumer Goods)</b>	 Remuneration report	Quantum of CEO salary in the context of market rates and level of experience	<b>72.29%</b>	 <b>25.67%</b>
<b>FTSE 100 (Technology)</b>	 Remuneration policy	Increase in long-term incentive opportunity, with proposed remuneration structure, combining awards subject to performance and awards subject only to time	<b>80.72%</b>	 <b>18.40</b>

FTSE index (Sector)	Resolution(s)	Reasons for proxy adviser recommendation against resolution(s)	Approval	Change since last equivalent vote
FTSE 250 (Financial Services)	£ Remuneration policy	Quantum of CEO overall pay package, using US companies as a benchmark	78.45%	↓ 6.72%
FTSE 250 (Banks)	£ Remuneration policy	Concerns over new share value plan and value potentially delivered under it, which may not reflect management performance	93.73%	↓ 6.12%
FTSE 100 (Retail)	£ Remuneration policy	Proposed remuneration structure, combining awards subject to performance and awards subject only to time, in the context of company profitability and market stability	80.71%	↓ 0.72%
FTSE 250 (Auto and Truck Manufacturers)	<div> <div> </div> <div> </div> </div> Remuneration Report and remuneration policy	Quantum of CEO and CFO salary in the context of the market position, predecessors pay level and performance	94.41%	<div> <div>↑ 3.81% (report)</div> <div>↓ 3.05% (policy)</div> </div>
FTSE 100 (Banks)	£ Remuneration policy	Increase in level of CEO and CFO overall pay package with no clear rationale	81.86%	↑ 13.05%
FTSE 250 (Financial Services)	<div> <div> </div> </div> Remuneration report	Ongoing concerns on remuneration structure and remuneration disclosures to shareholders	48.64%	↑ 14.5%

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