

First 100 DRRs

April 2025

ALVAREZ & MARSAL



'First 100' DRRs – Initial Trends from 2025 AGM Season



James Harris
Managing Director



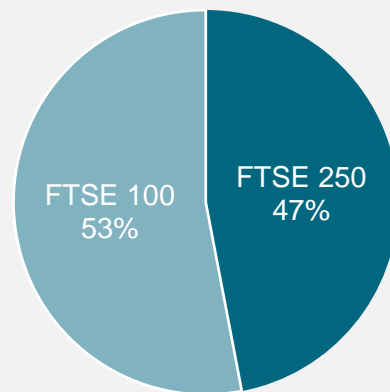
Alex Gardner
Senior Director

- ▶ *Salary trends*
- ▶ *Incentive outcomes*
- ▶ *Policies / structures*
 - *Incentive opportunities*
 - *Structures*
 - *Bonus deferral*
- ▶ *DRRs / disclosure*
- ▶ *ISS and voting*

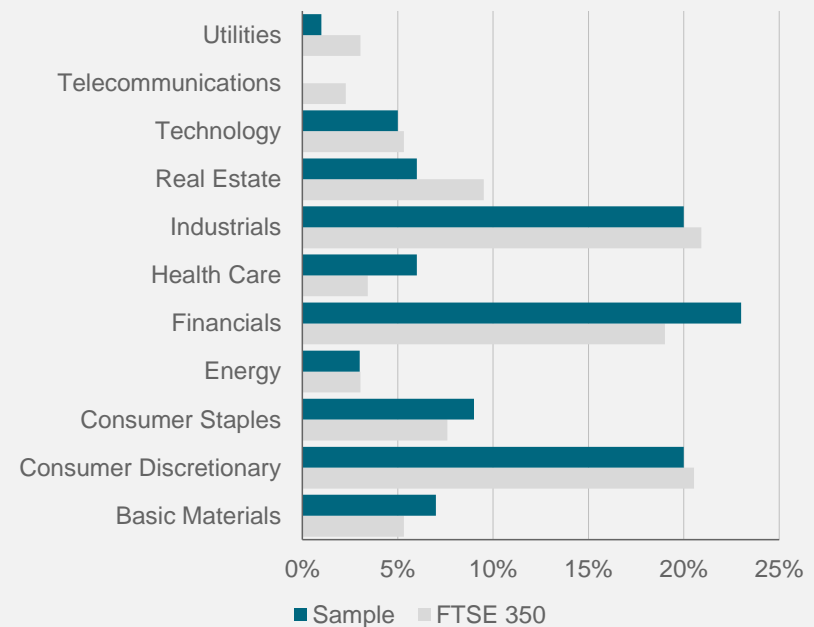
'First 100' DRRs in the FTSE 350

Sample is representative of the FTSE 100 and FTSE 250

*Roughly equal split
Between the FTSE 100
and FTSE 250...*



Similar sector balance to the FTSE 350...



Similar median market cap...

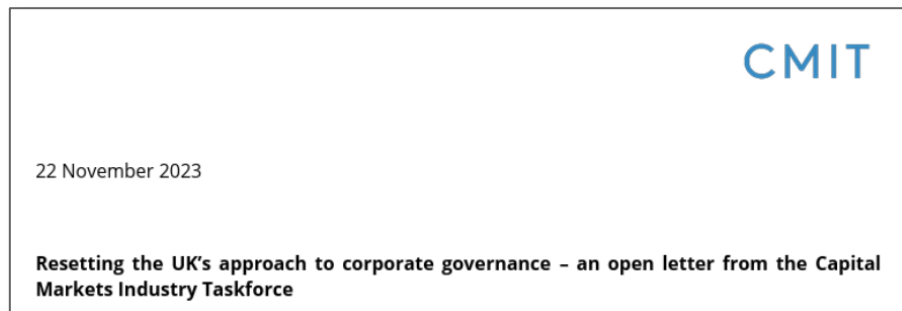
| | FTSE 100 | FTSE 250 |
|---------------|----------|----------|
| Actual median | £8.3bn | £1.3bn |
| Sample median | £11.5bn | £1.3bn |

New Policies submitted...

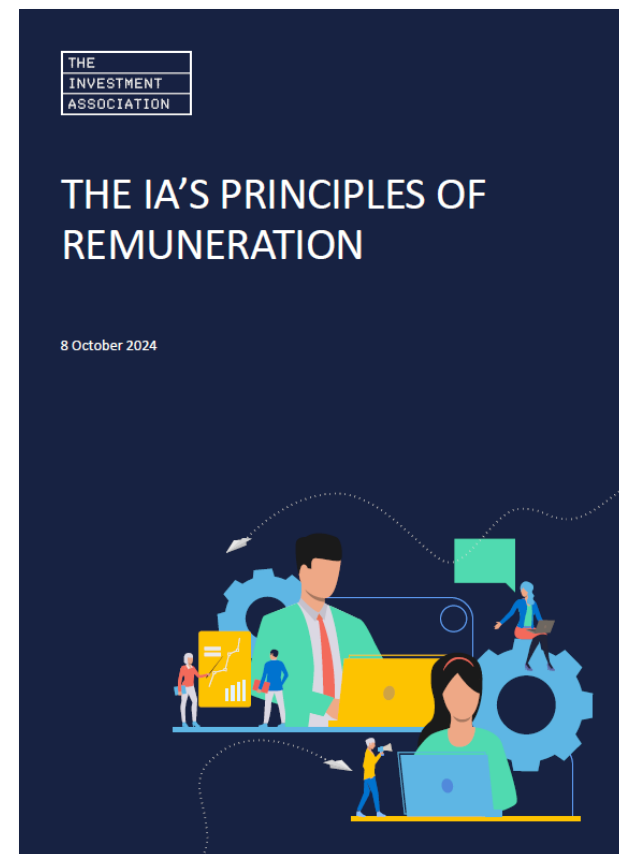
38 of the 100 companies
(13 submitted 'early')

Setting the scene for 2025

- ▶ *'Big Tent' discussion on UK competitiveness*



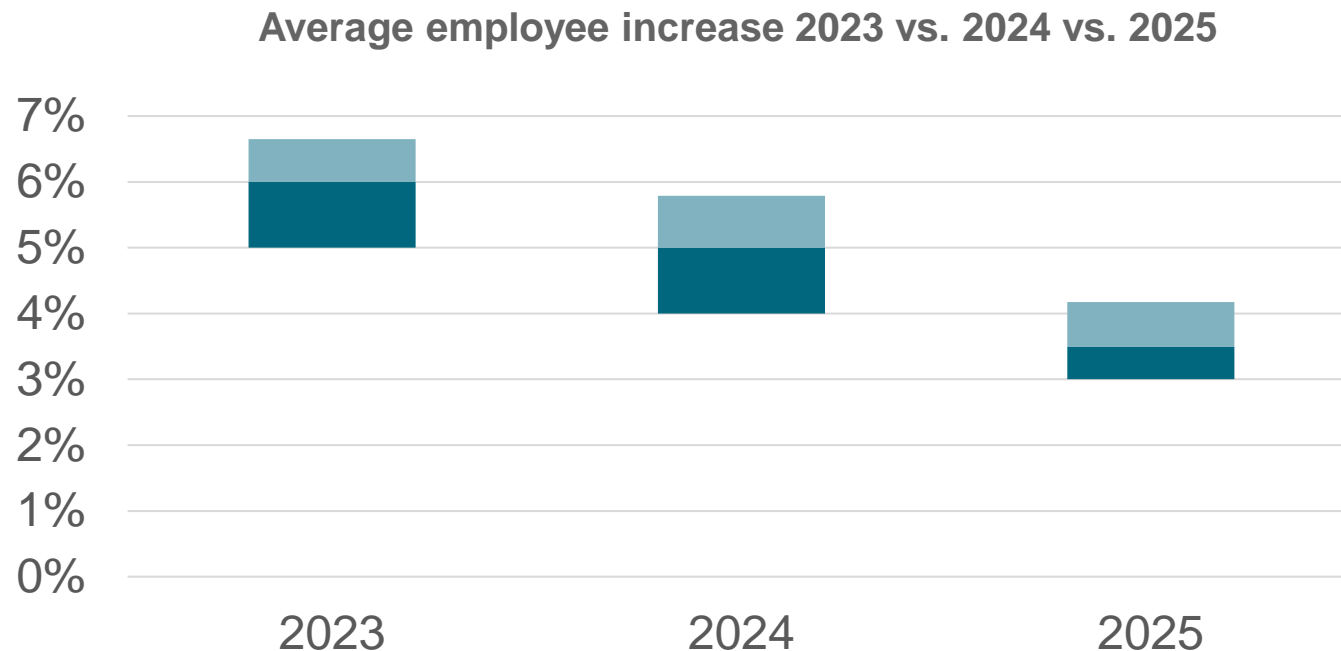
- ▶ *Refreshed investor guidance*



Base salary

Average employee increase down again

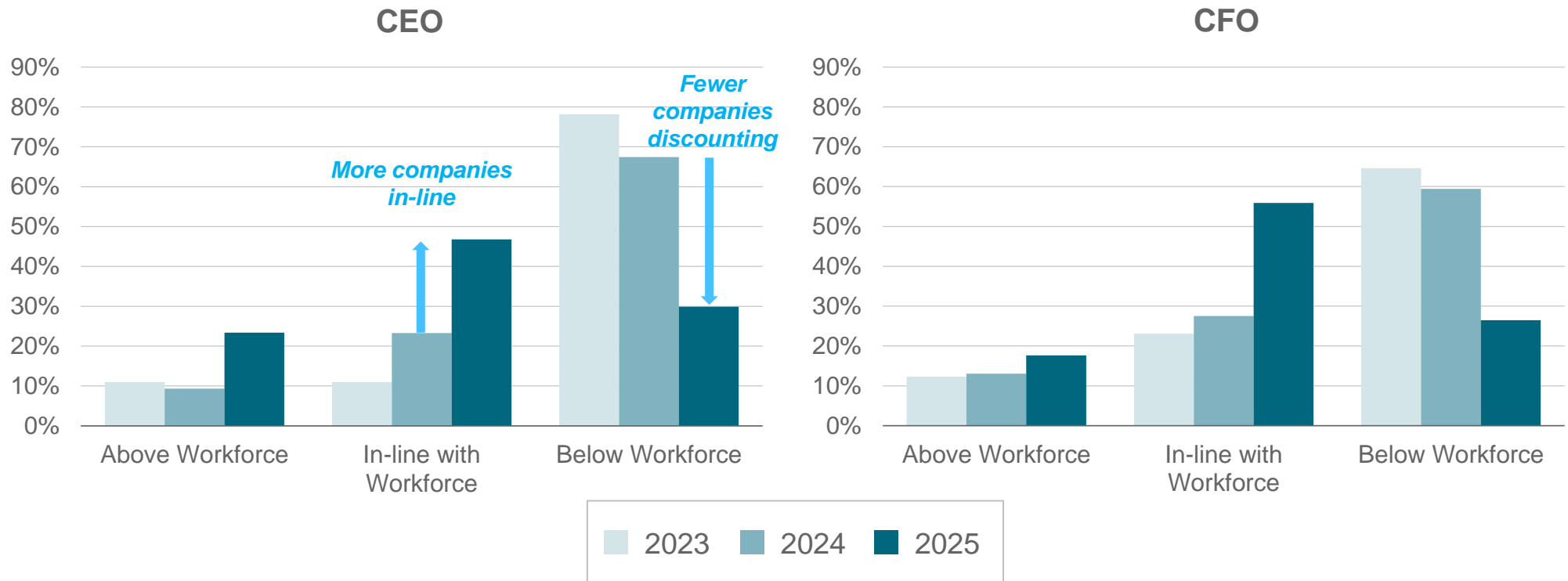
- ▶ 81% of companies have employee increases lower than the previous year
- ▶ 2025 median workforce increase is around 3.5%



Base salary

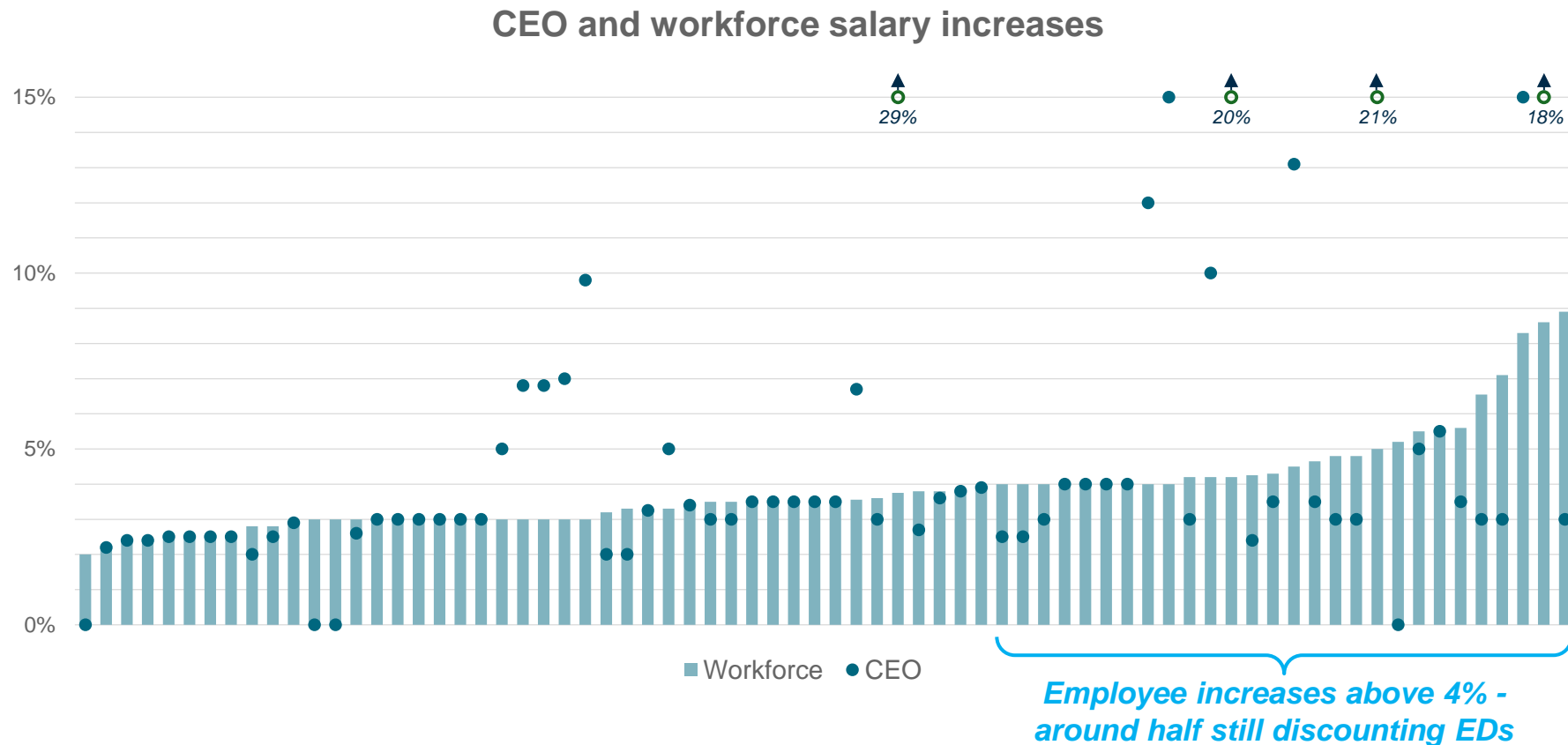
Executive Director relativity to employee average

- ▶ Continued trend away from 'discounting'
- ▶ More companies opting for increases in-line with workforce



Base salary

Discounting more likely with higher employee increases

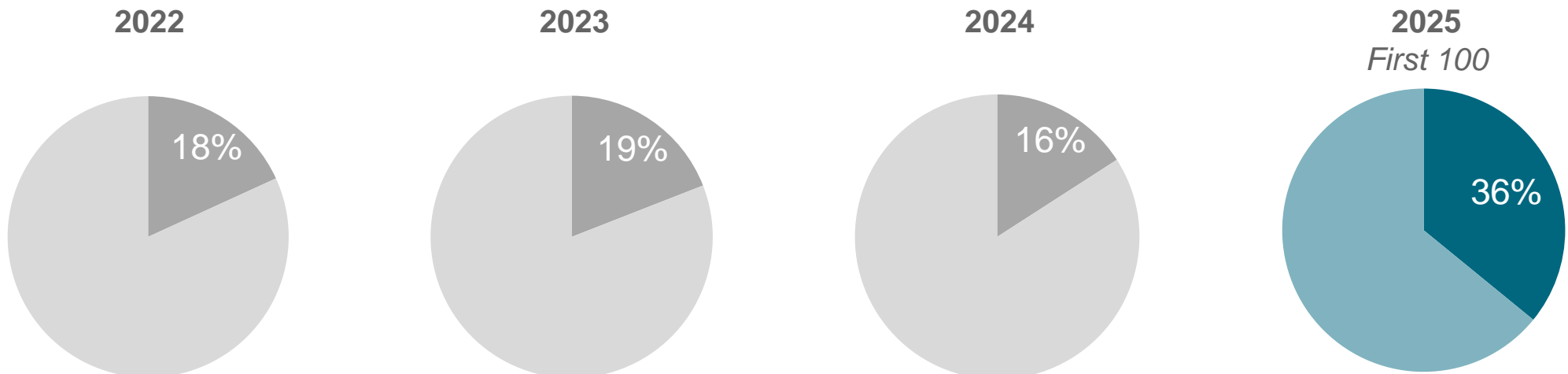


Base salary

One third of market awarding increases above workforce

- ▶ 36% awarded either the CEO and/or CFO a salary increase above the workforce average
- ▶ Double last year and much higher than historic practice

% of FTSE 350 awarding increases above the workforce



Base salary

Rationale for significant increases (i.e. >10%, CEO)

| Salary increase: | | 29% | 23% | 21% | 20% | 18% | 15% | 15% | 13% | 13% | 12% | 10% | 10% | |
|---------------------------|------------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| Strong performance | Individual performance | ✓ | ✓ | | ✓ | | | ✓ | | ✓ | ✓ | ✓ | ✓ | 67% |
| | Company performance | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | | ✓ | ✓ | | 75% |
| Market positioning | Below sector peers | ✓ | ✓ | ✓ | ✓ | | | ✓ | ✓ | ✓ | | | ✓ | 67% |
| | Below FTSE peers | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 92% |
| Talent market / retention | Talent market pressure | | ✓ | ✓ | | | ✓ | ✓ | ✓ | | | | ✓ | 50% |
| | Retention | ✓ | | ✓ | | | | ✓ | | | ✓ | ✓ | ✓ | 50% |
| Pay compression | | | | ✓ | | | ✓ | | ✓ | ✓ | | | | 33% |
| Increased scope | | ✓ | ✓ | | | ✓ | | | | | ✓ | | ✓ | 42% |

Phased

✗

✓ (2nd)

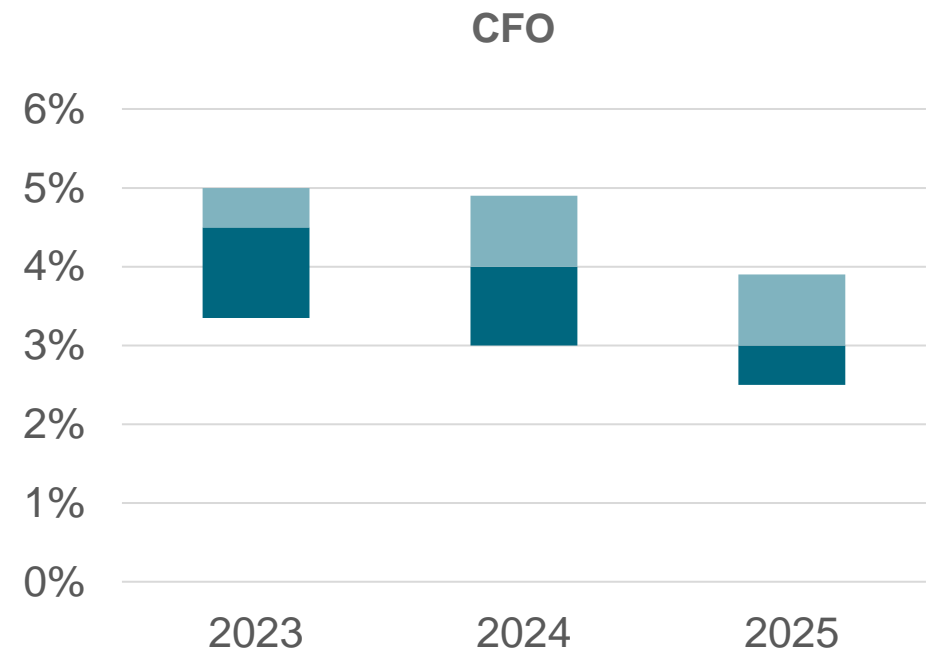
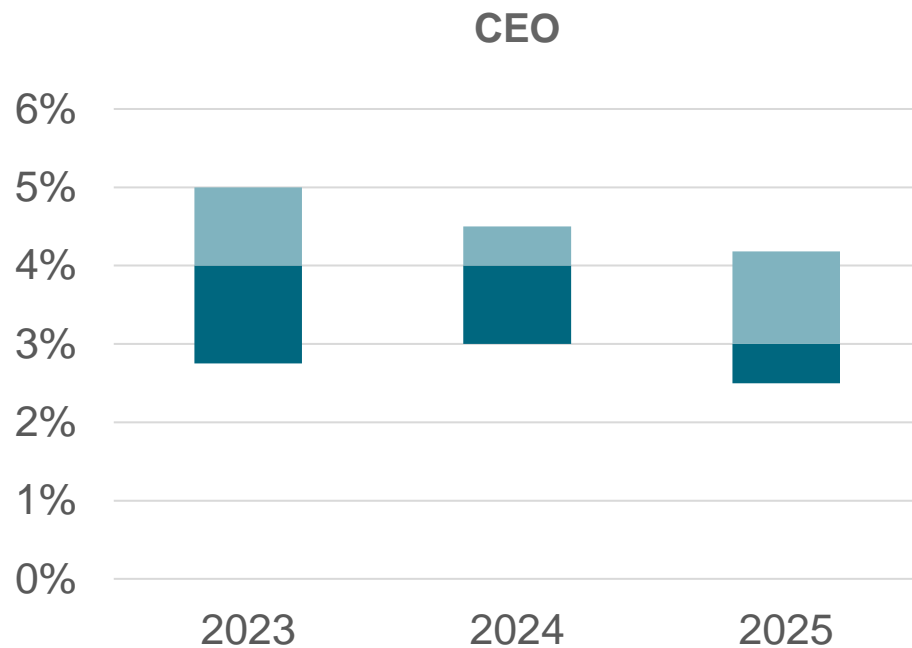
✓

✓ (3rd)

| | | | | | | | | | | | | | |
|----------|--------------------|--|-----|-----|-----|-----|-----|--|-----|-----|-----|--|-----|
| 2025 AGM | ISS recommendation | | For | For | For | For | For | | For | For | For | | For |
| | DRR vote | | TBD | 98% | 92% | 92% | 97% | | 93% | TBD | 95% | | TBD |

Base salary

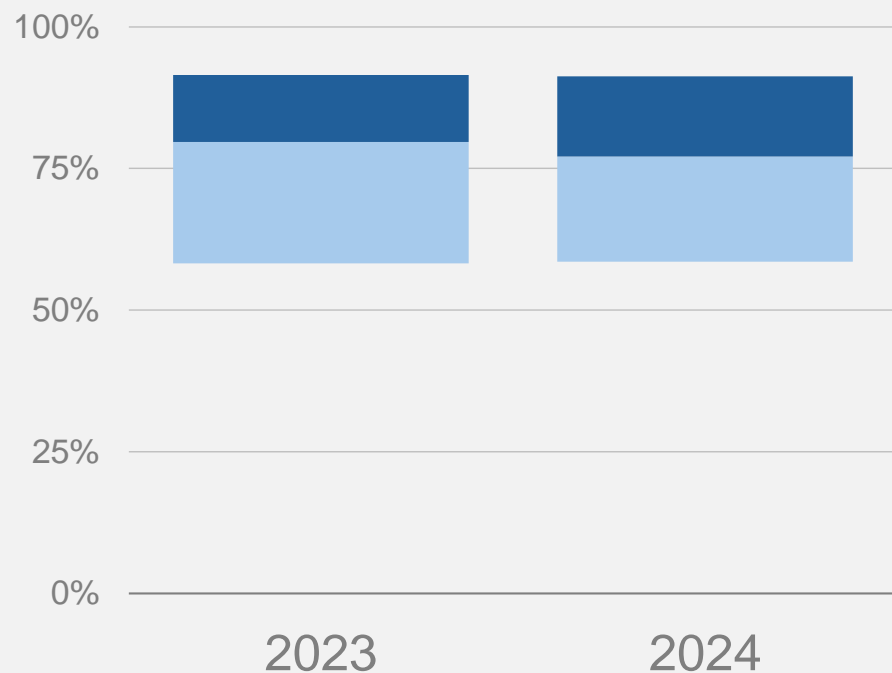
Executive director market range lower in 2025



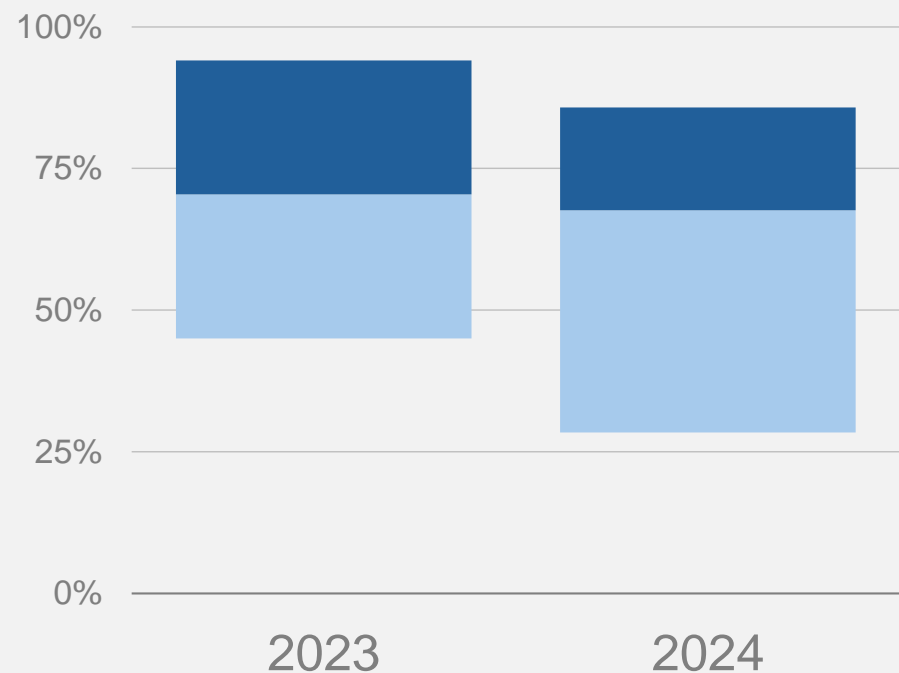
Incentive outcomes

Annual bonus and PSP

Annual bonus outcomes similar year-on-year



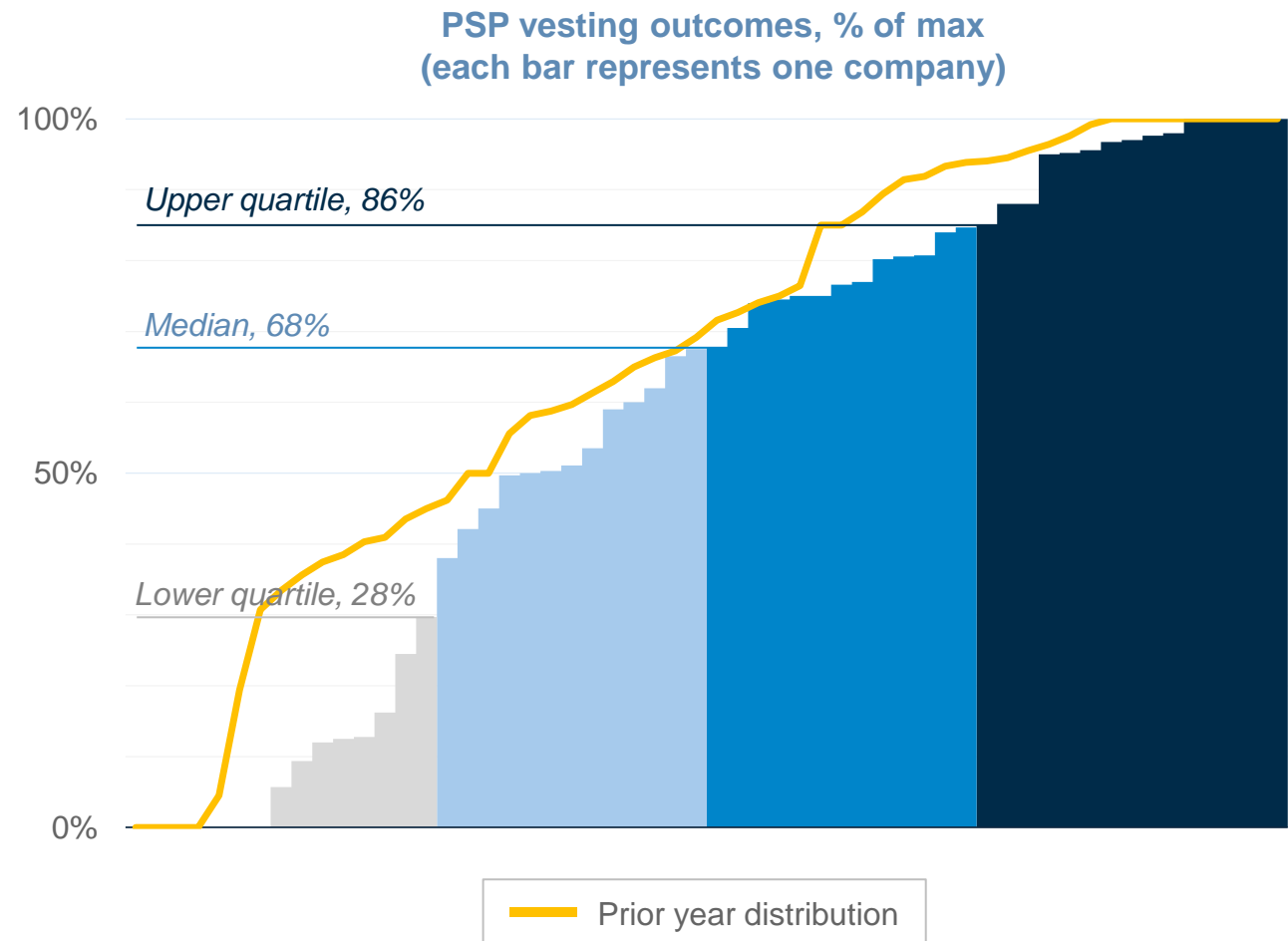
PSP outcomes generally lower (although median unchanged)



Incentive outcomes

PSP outcomes generally down

- ▶ *Significant reduction in PSP outcomes, especially for 'lower payers' (i.e. below 25th percentile)*
- ▶ *Average vesting reduced from 66% to 58%*

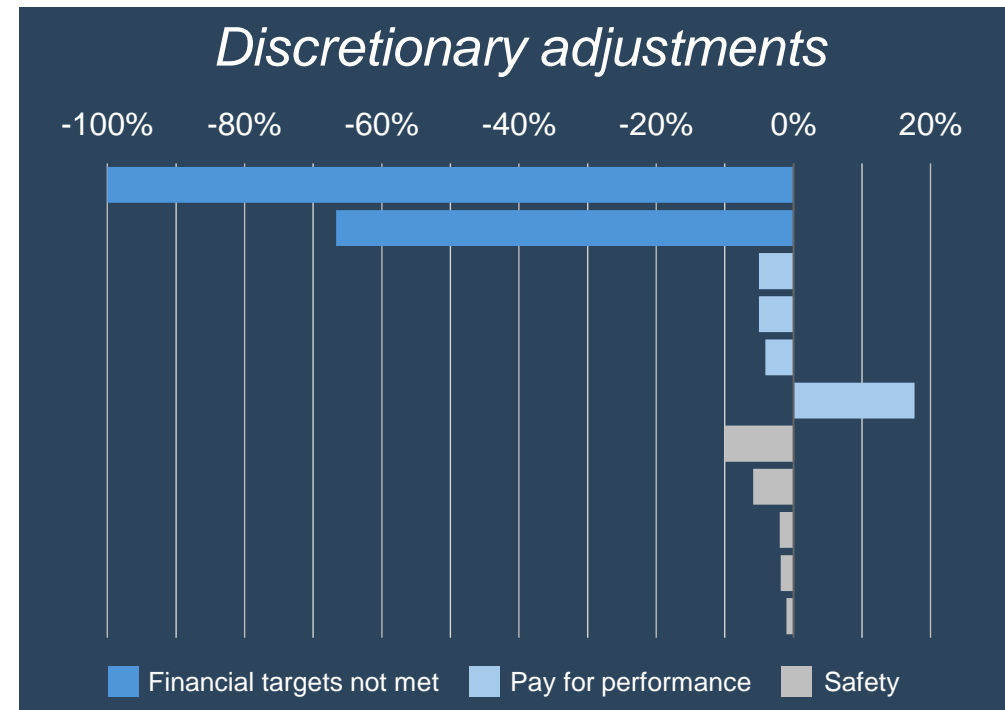


Discretion

Similar level of use










- ▶ *IA Principles now more amenable to use of positive discretion*
- ▶ *Some examples of the use of discretion in the bonus this year*
- ▶ *One instance of positive discretion of +18% to reflect 'extraordinary execution of the company's strategy'*
- ▶ *No examples of the use of discretion for LTIPs*

2024
17% → **2025**
11%



Incentive Structures

Around one fifth of new Policies changed incentive structure

| Company | Previous structure | | New structure | ISS rec. |
|-------------------------------|--------------------|---|---------------------|----------------|
| IntegraFin Holdings | No LTIP |  | Single Plan | <i>For</i> |
| SSP Group | RSU |  | PSP* | <i>For</i> |
| NatWest Group | RSU |  | PSP* | <i>For</i> |
| Diversified Energy | PSP |  | Hybrid (RSU + PSP) | <i>Against</i> |
| Aston Martin Lagonda | PSP |  | Hybrid (RSU + PSP)* | <i>TBC</i> |
| St James's Place | PSP |  | Hybrid (RSU + PSP)* | <i>TBC</i> |
| InterContinental Hotels Group | PSP |  | Hybrid (RSU + PSP) | <i>TBC</i> |
| Convatec | PSP |  | Hybrid (RSU + PSP) | <i>TBC</i> |
| International Workplace Group | PSP |  | Hybrid (RSU + PSP) | <i>TBC</i> |

* No change to LTIP 'target' level

Increase to incentive opportunities

Around one third of the market are increasing for 2025

55%

of new Remuneration Policies increased incentive opportunities

(vs c.40% last year)

Split by market:

FTSE 100

FTSE 250

65%

40%

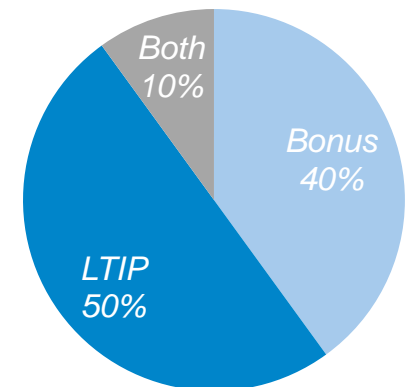
Combined with 9 companies that increased opportunities within existing Policy 'headroom'...

30%

of the market overall is increasing opportunities for 2025

(vs c.20% last year)

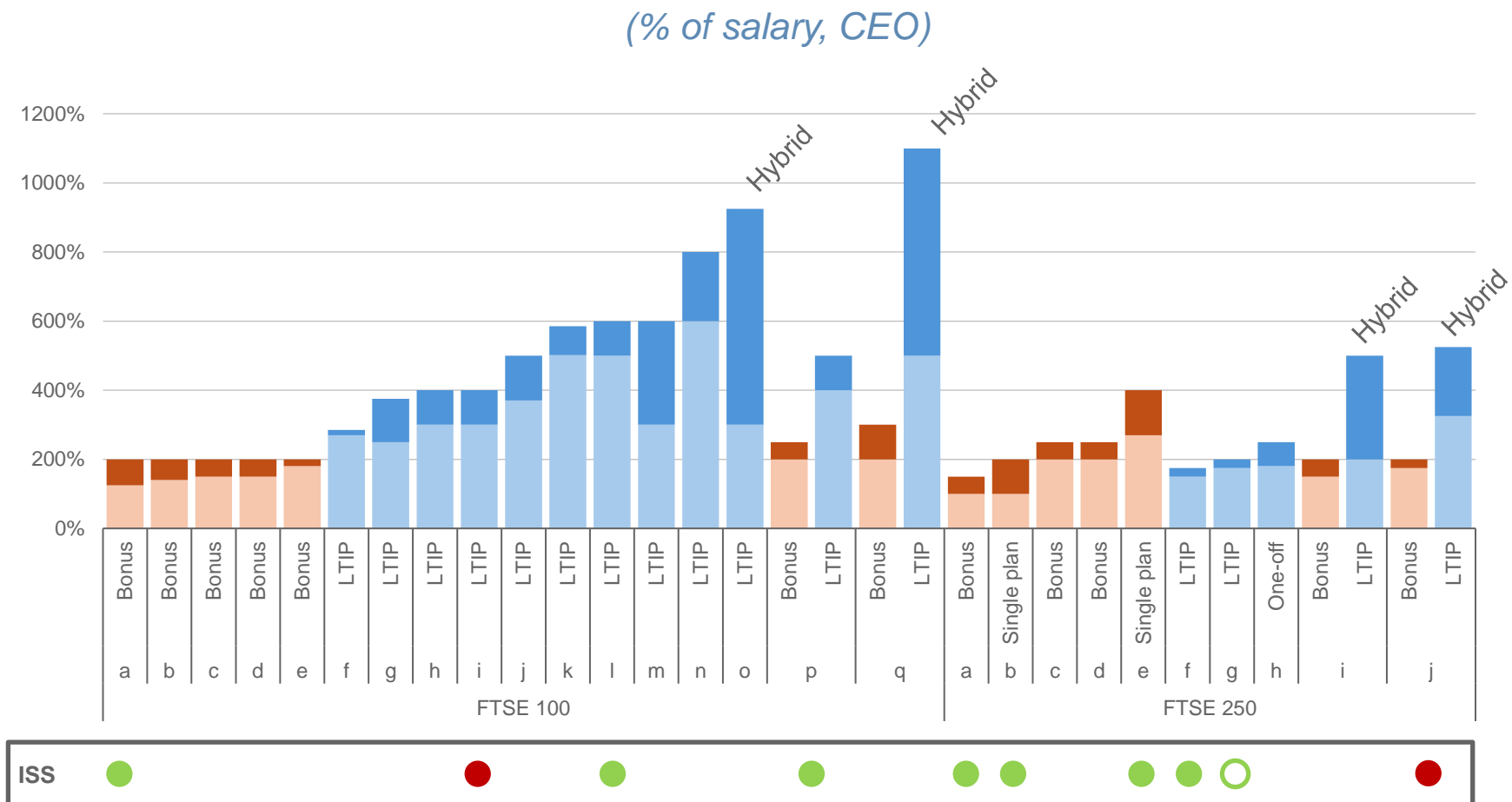
► *Most increases delivered through the LTIP*



► *Common reasons for the increases: business performance, alignment to strategy and market positioning (including US / global)*

Increase to incentive opportunities

Half of increases in the 50-100% salary range, one third above 100%

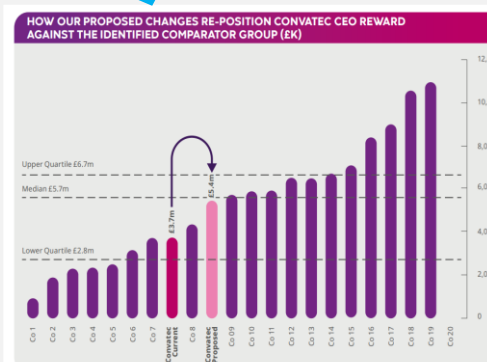
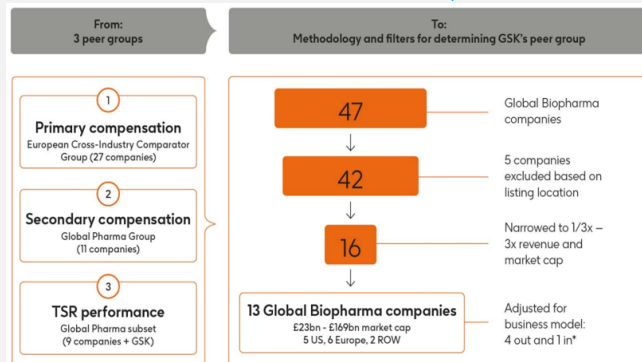


Benchmarking disclosure

For significant changes, DRRs are providing more benchmark data

| Peer group constituents | | Pay level disclosure | | Other | | |
|-------------------------|-----------------------------|----------------------|---------------------------|---------------------------------|-----------------------------------|----------------|
| Discloses constituents | Discloses selection process | Benchmark quartiles | 'line by line' pay levels | Discussion of 'pay compression' | Discussion of historical outcomes | Data on hiring |
| ✓ | | ✓ | | | ✓ | |
| | | ✓ | | ✓ | | |
| ✓ | ✓ | ✓ | | ✓ | | |
| | | | ✓ | | | |
| ✓ | ✓ | ✓ | ✓ | ✓ | | |
| ✓ | ✓ | ✓ | ✓ | | | |
| | ✓ | | ✓ | ✓ | | |
| ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |

Examples:

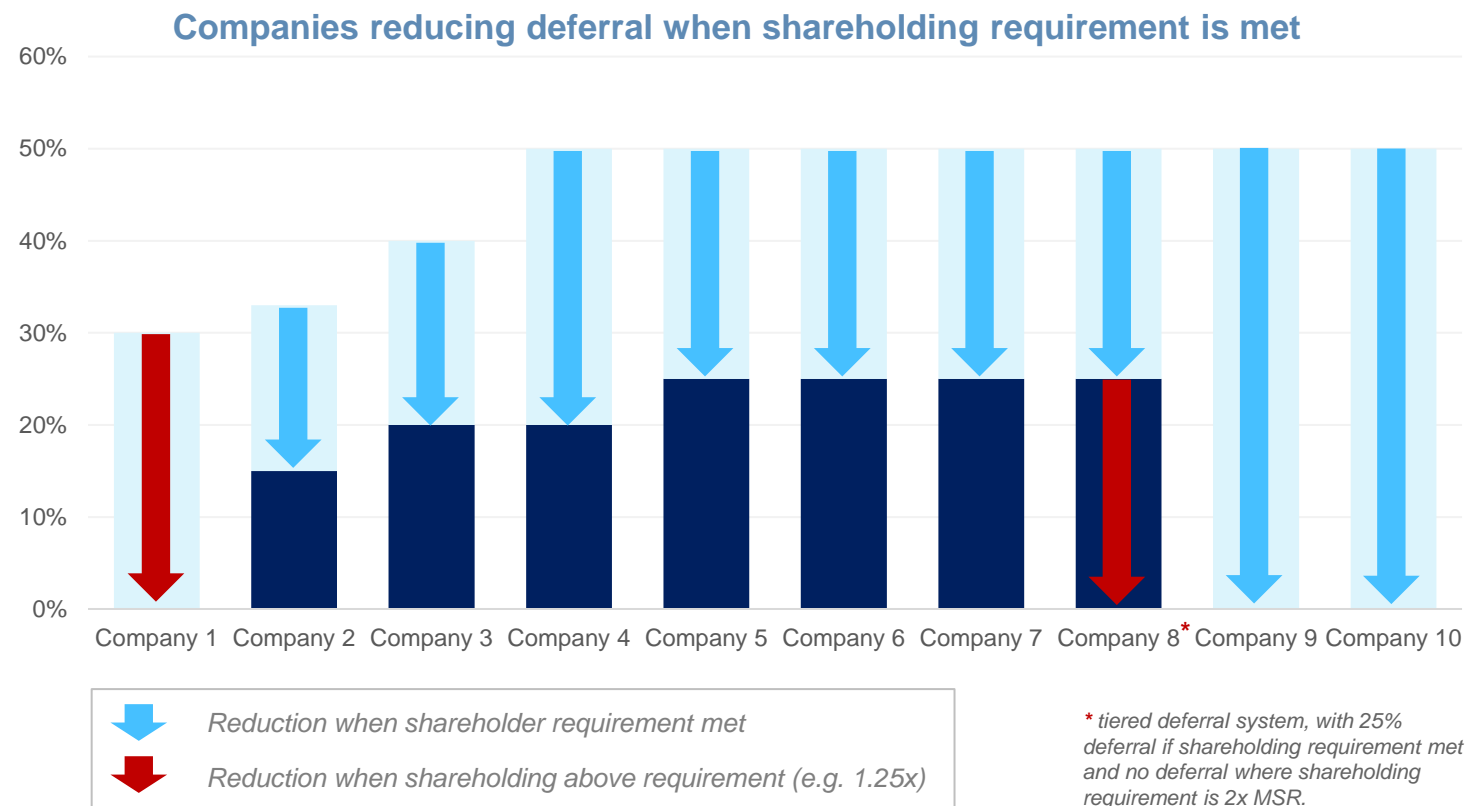


| | Marriott International | Hilton Hotels & Resorts | Accor | Radisson | Shangri-La Hotels & Resorts |
|-------------------------------|------------------------|-------------------------|-------|----------|-----------------------------|
| IHG hires from... (237 total) | 34 | 19 | 11 | 3 | 4 |
| IHG loses to... (543 total): | 50 | 22 | 29 | 15 | 6 |
| TSR peers | | | | | |

Remuneration Policies

c.25% of new Policies softened the approach to bonus deferral

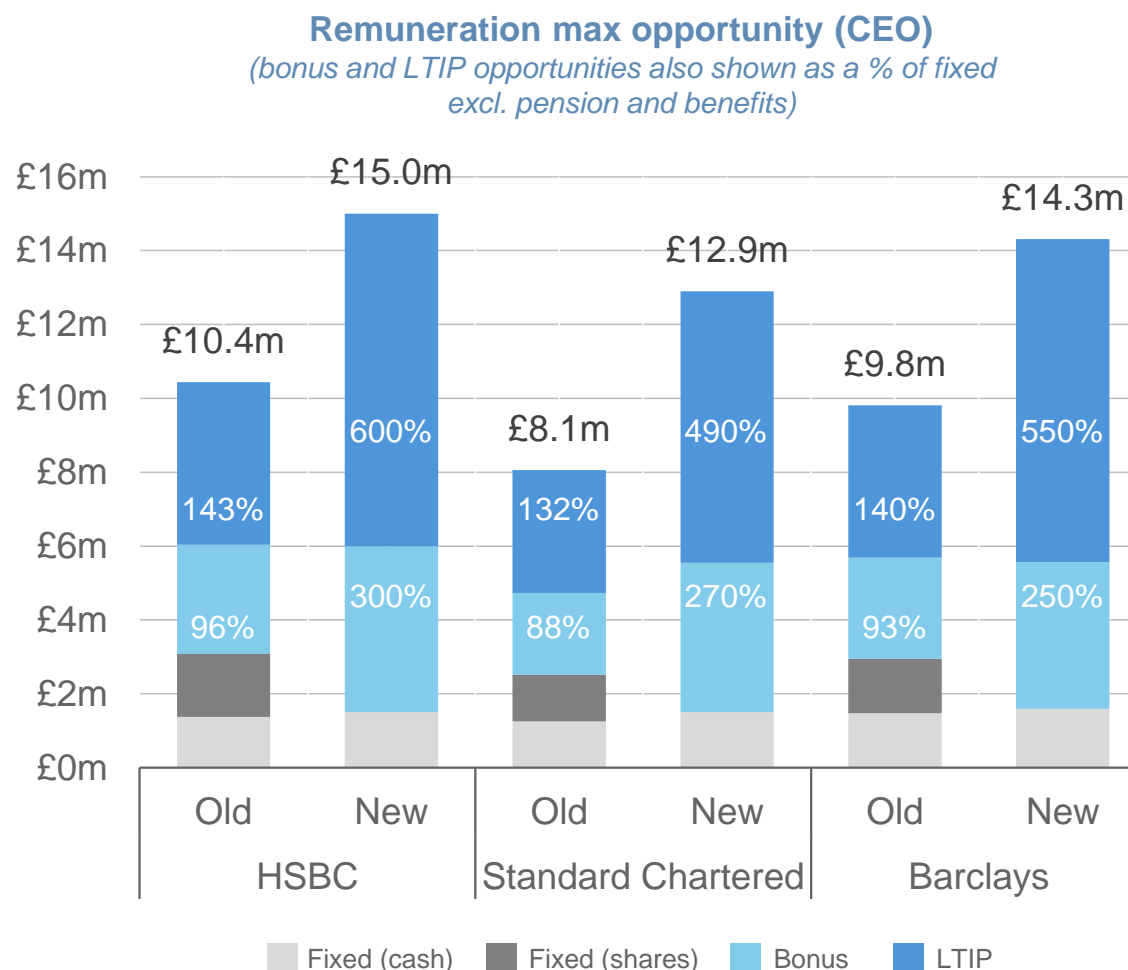
- ▶ *Reductions linked to the level of shareholding*
- ▶ *14% across the market now adopt this approach:*
 - *FTSE 100: 23%*
 - *FTSE 250: 9%*
- ▶ *Across the market – 8% reduce deferral and 6% remove it*



Remuneration at banks

Rebalancing after the removal of the variable pay cap

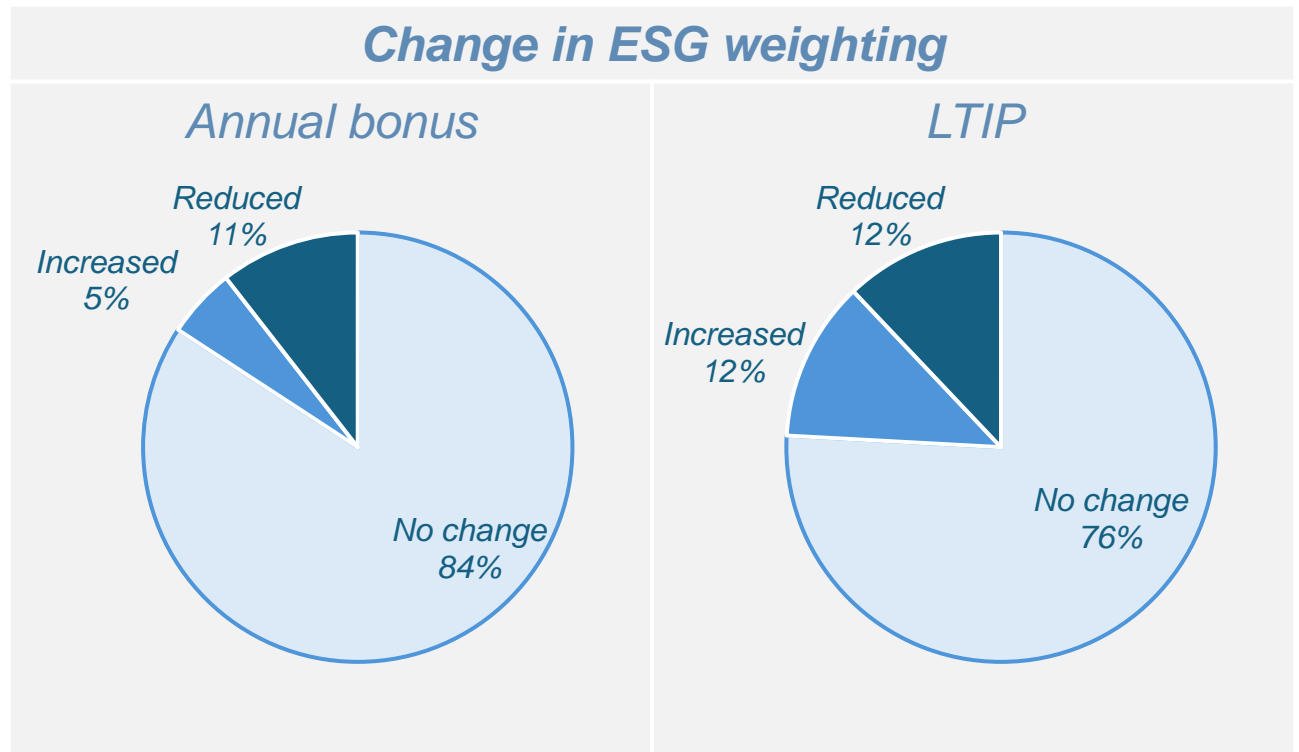
- ▶ Fixed pay reduced by c. 40-50% (share element removed and cash salary increased)
- ▶ Max annual pay opportunities (i.e. fixed plus max bonus) broadly maintained
- ▶ LTIP opportunity increased
- ▶ Target total remuneration level increased between c. 20-35% as 'quid pro quo' for reduction in guaranteed fixed pay
- ▶ Shareholding requirements also increased, e.g. 250% to 500%



ESG

Slowing adoption in the bonus and LTIP

- ▶ *Most companies maintaining current practice*
- ▶ *Overall, more companies adopting ESG than removing*
- ▶ *But a minority of companies down-weighting or removing, mainly in the bonus*



Median weighting is 10% in both the bonus and LTIP

NED fees

66% of the First 100 increased NED fees for year ahead

- Fee increases typically below last year

| Fee increase for 2025 | | |
|-----------------------|-------------|--------------|
| | Board Chair | NED base fee |
| Upper quartile | 5.1% | 4.5% |
| Median | 3.3% | 3.5% |
| Lower quartile | 3.0% | 2.9% |

- 5 FTSE 350 companies disclose time commitment

*"The terms of appointment of NEDs specify...minimum of 30 days per annum"**

*"letters of appointment... with an expected time commitment of 25 to 30 days per year."**

*"a minimum expected time commitment of 30 days per annum is set out in the [NEDs] letters of appointment....annual time commitment expected from the chair of the Board is the equivalent of two to three days per week"**

*"at least 20 days a year and the Chair an average of 2 days a week"**

"time commitment of around 50 days per annum [for the Chair]...around 30 days per annum [for NEDs]"

* Have the same Chair/NED time commitment disclosed in 2023 report

Disclosure updates

- ▶ 19% complied early with the Code requirement on clawback and malus

- ▶ Other upcoming changes

Examples (mainly FTSE 100)...

We confirm that no malus and clawback provisions were exercised during the year.

Annual statement,
FTSE 100 support
services company

7. No malus or clawback provisions were applied.

Footnote to single figure table, FTSE
100 consumer staples company

- Malus and clawback provisions apply for up to 10 years from grant, in alignment with remuneration regulations for senior management. No malus or clawback provisions were used during 2024.

Section on how policy
complies with the Code,
FTSE 100 bank

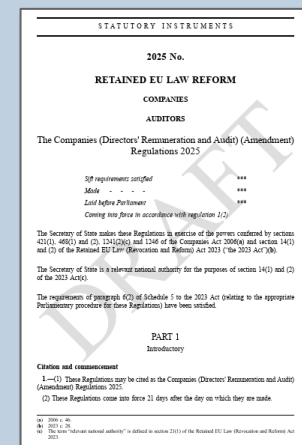
How malus and clawback have operated during the year

Details of how malus and clawback operate, and the selected periods over which they are enforceable, are shown in the full Remuneration Policy set out in the Annual Report and Accounts for the year ended 30 September 2022. The selected periods have been designed to meet regulatory requirements. Malus and clawback have not been used during the financial year under review.

New section of implementation report, FTSE 250 bank

Repeal of some DRR disclosures introduced in 2019...

- ‘Annual percentage change in remuneration of directors and employees’

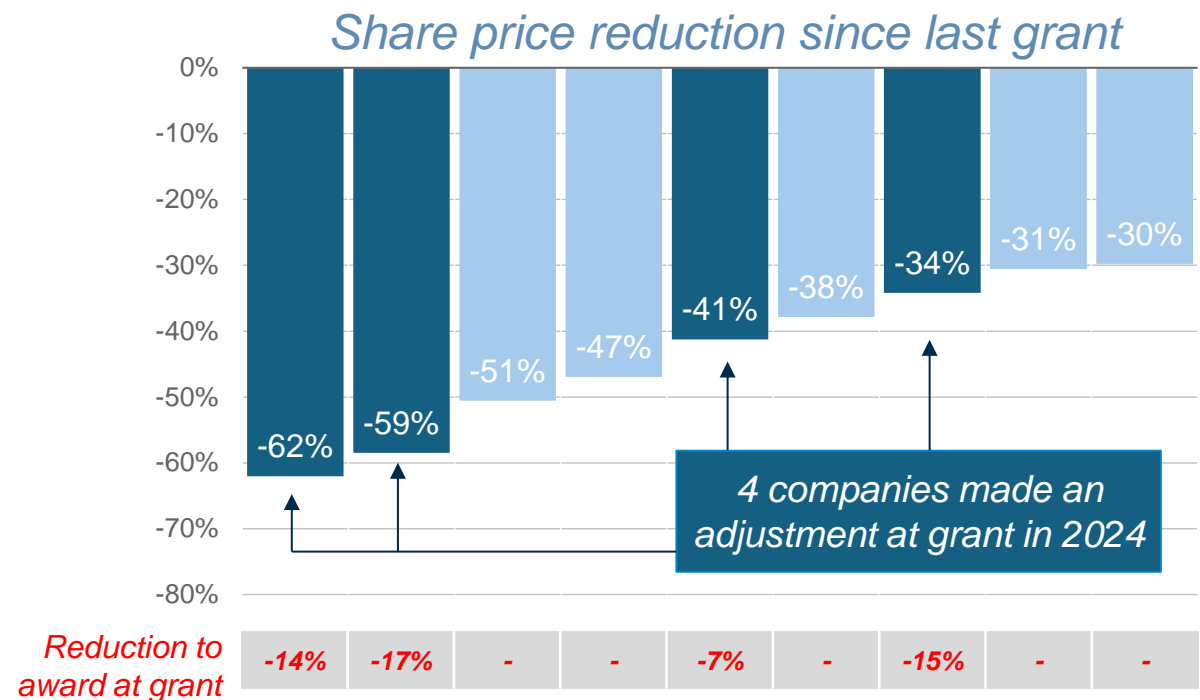


- Total fixed and total variable sub-total columns in Single Figure table

Windfall Gains

Companies adjusting awards at grant

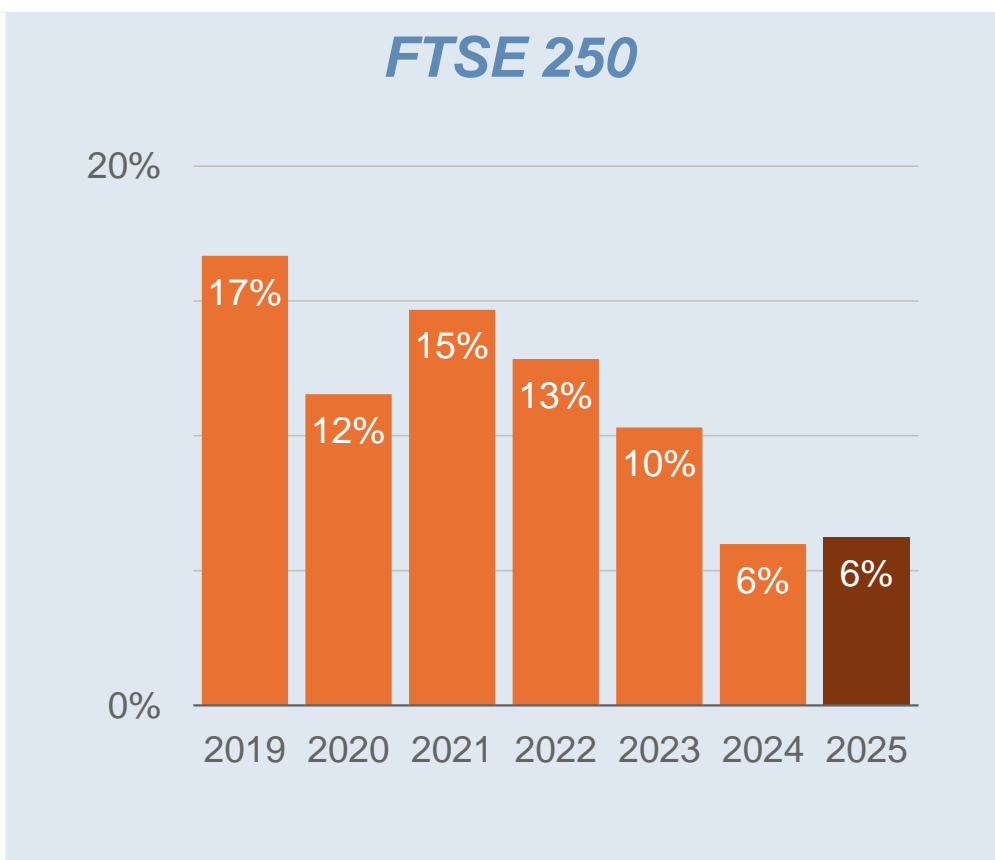
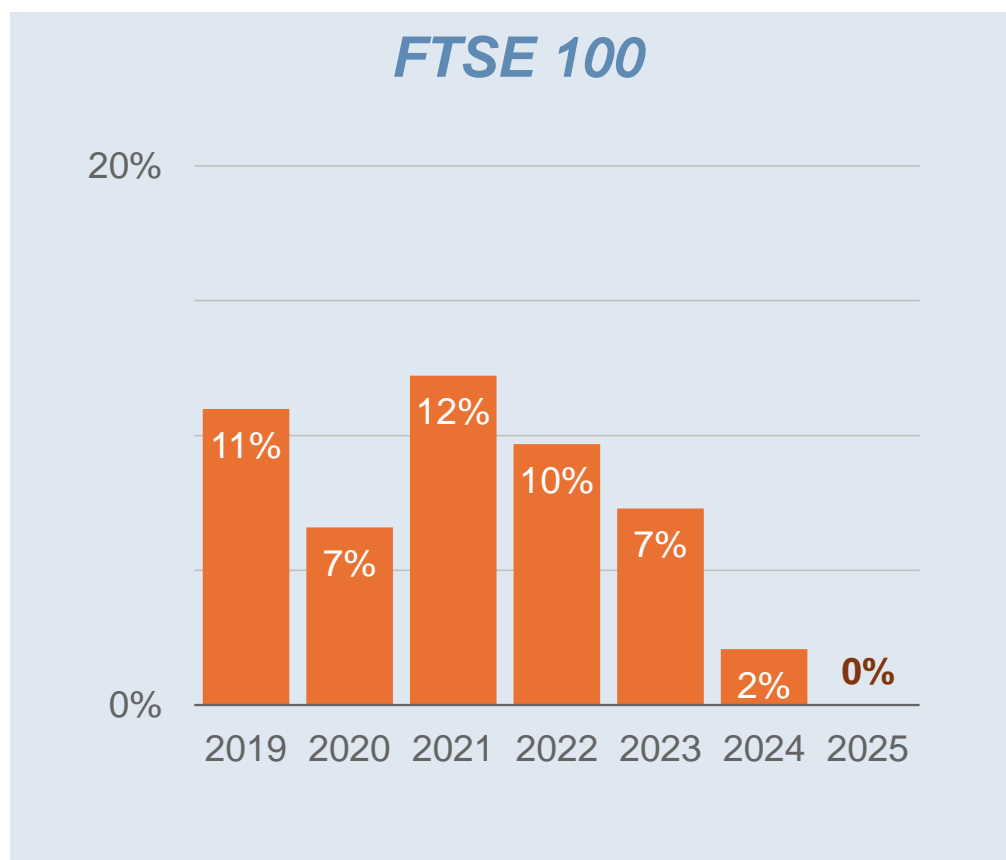
- ▶ 9 companies in our sample had a share price reduction greater than **-30%** at the time of granting the 2024 LTIP
- ▶ 4 companies made a reduction to the award at grant
- ▶ 2 companies stated they would consider reducing at vest



DRR voting

Currently trending towards a similar AGM season as last year...

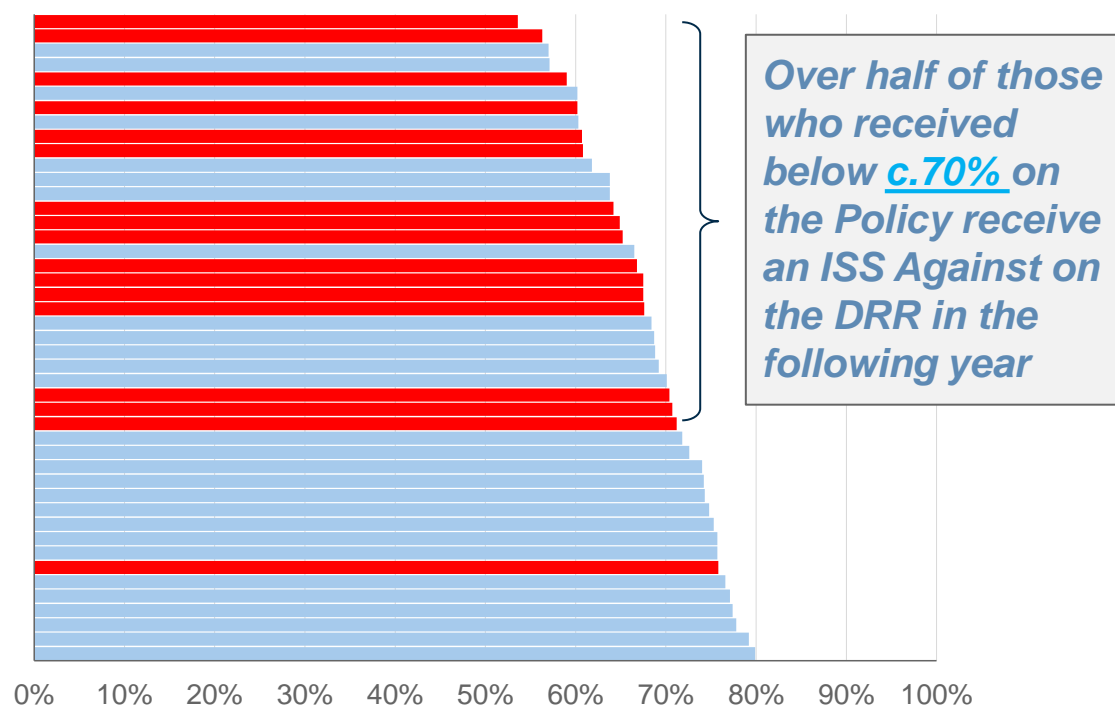
► *ISS 'Against' recommendations*



DRR voting

The 'hangover' from a contentious Policy vote

The chart shows all Policy votes below 80% with an ISS 'Against' since 2019 – those highlighted red received an ISS Against for the following year DRR



Ones to watch this AGM season...

| Company | Index | AGM | 2024 Policy vote | 2025 ISS DRR rec. |
|-----------------|----------|-------|------------------|-------------------|
| AstraZeneca | FTSE 100 | April | 64% | FOR |
| Smith & Nephew | FTSE 100 | April | 57% | FOR |
| PureTech Health | FTSE 250 | Jun | 64% | TBC |
| Ashtead Group | FTSE 100 | Sep | 63% | TBC |
| Wizz Air | FTSE 250 | Sep | 63% | TBC |

Q&A

Follow the link to sign up to receive our future executive compensation updates and thoughtpieces



Distinctive thought leadership

A selection of our publications

Windfall gains

In early 2023, we published our guide on 'windfall gains', looking at the perspective of all stakeholders and setting out an assessment framework.



'Big Tent' discussion

Our contribution to the 'big tent' debate on executive pay in the UK – analysis of key trends over the last ten years, and ideas for potential change



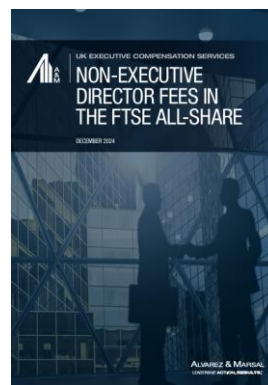
First 50 DRRs

Analysis of initial trends from the 2024 AGM season in respect of base salary, new Policies, and incentive award levels and outcomes



NED fees report

The latest version of our annual report on NED fees provides all the latest data across the FTSE 100, 250 and Small Cap markets



FTSE 350 report

Comprehensive analysis of all key trends and data points across the FTSE 350 from analysis of the 2024 AGM season



Target setting toolkit

The third edition of our unique market assessment of performance targets included fresh analysis comparing the UK and US markets

