

Executive Pay Data

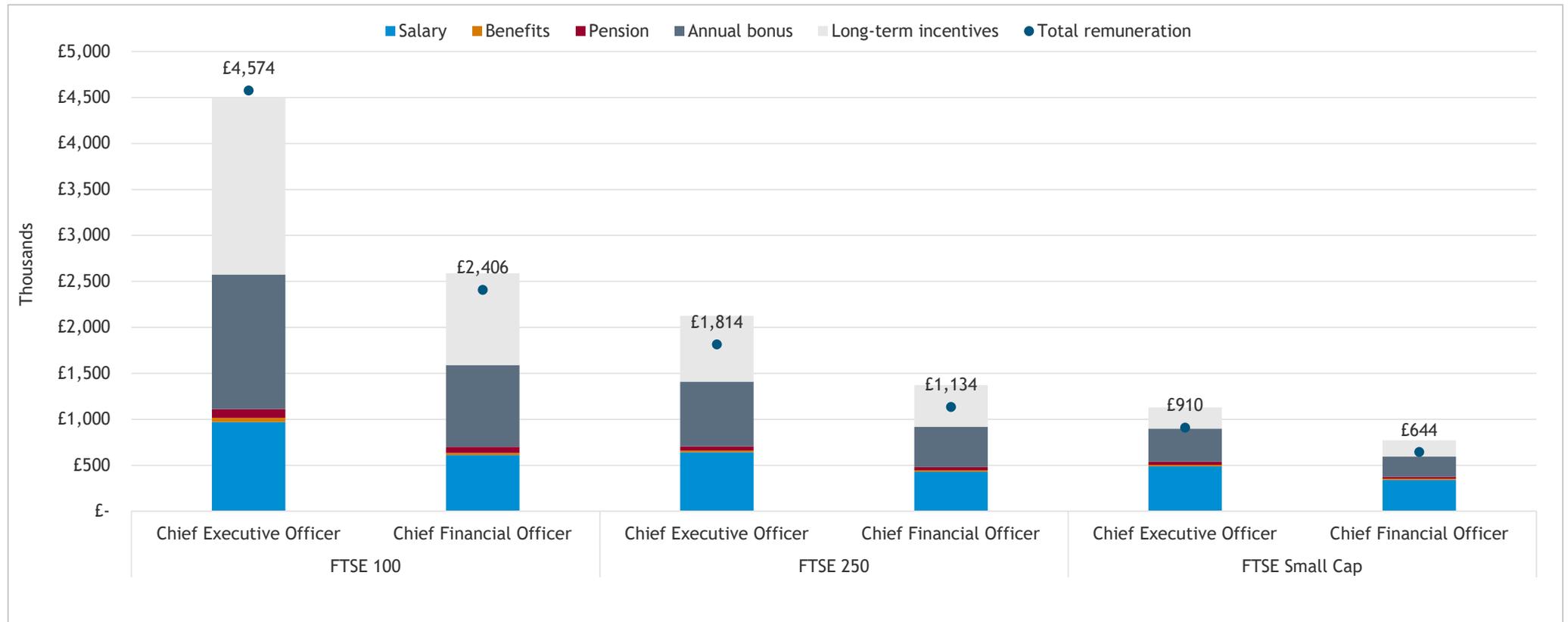
What can you learn from the latest executive pay and equity data – and how should it influence share plan design going forward?

David Ellis, BDO LLP



Remuneration Trends in FY25

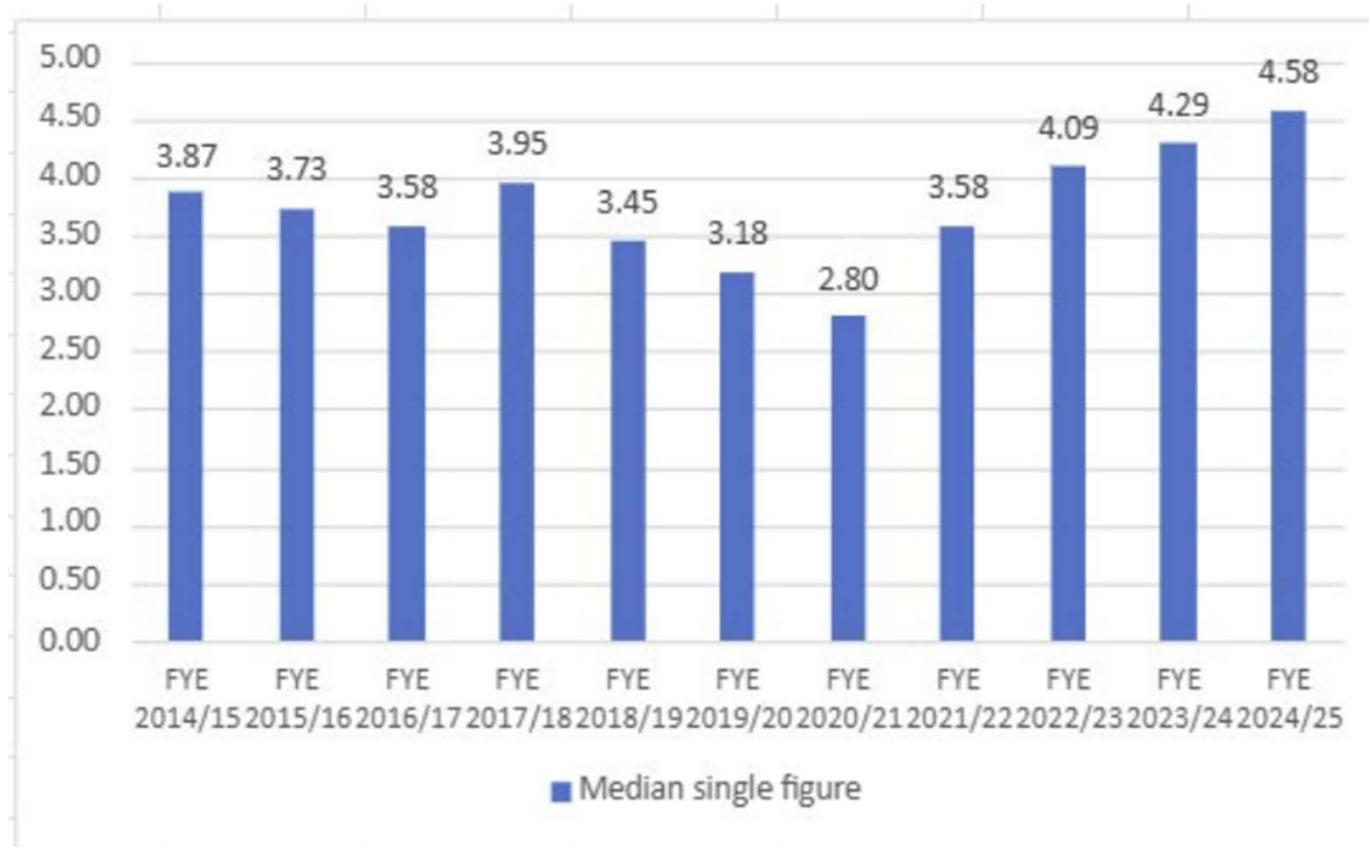
Executive pay levels across FTSE 350 and FTSE Small Cap



1. Analysis is carried out on remuneration data disclosed in annual reports of FTSE 350 and Small Cap companies with FYE from September 2024 to May 2025

Median single figure of FTSE 100 CEOs since 2014/15 (£m)

There is a clear trend emerging

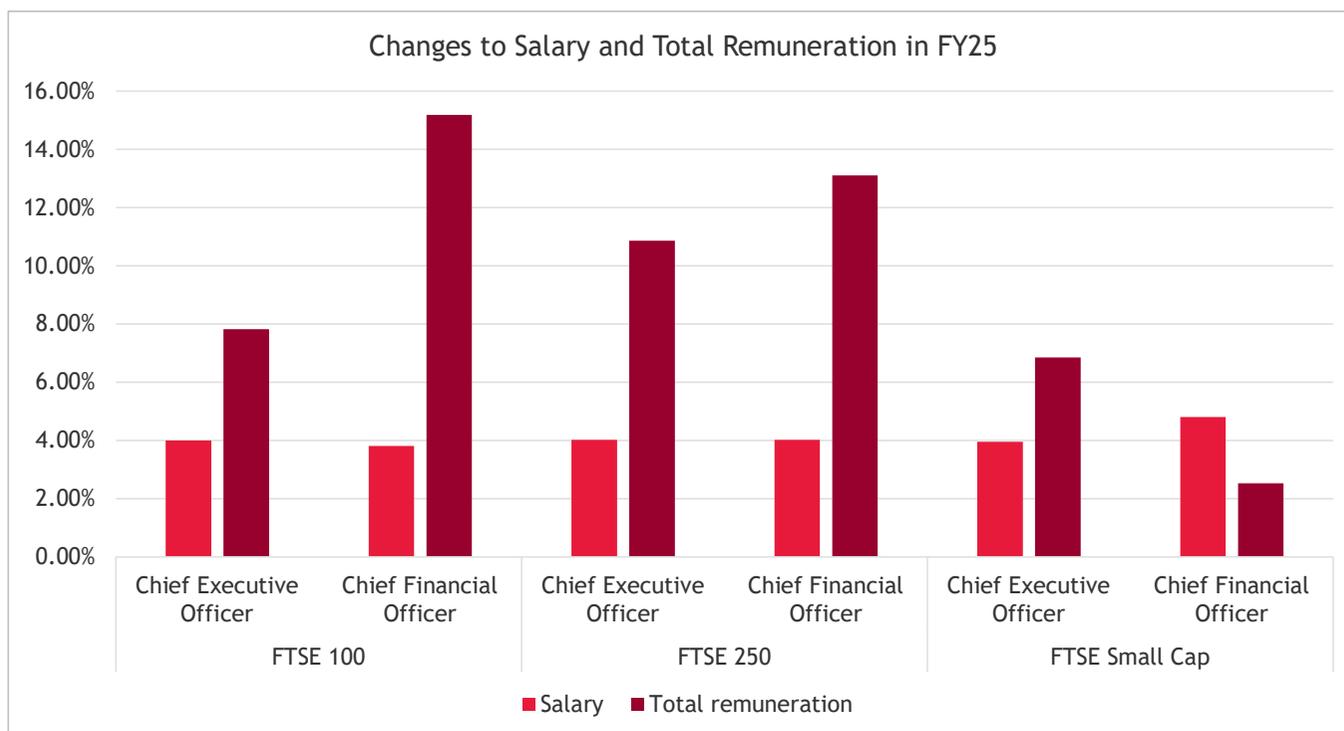


Remuneration Trends in FY25

Year-on-year changes to executive pay across FTSE 350 and FTSE Small Cap

Commentary:

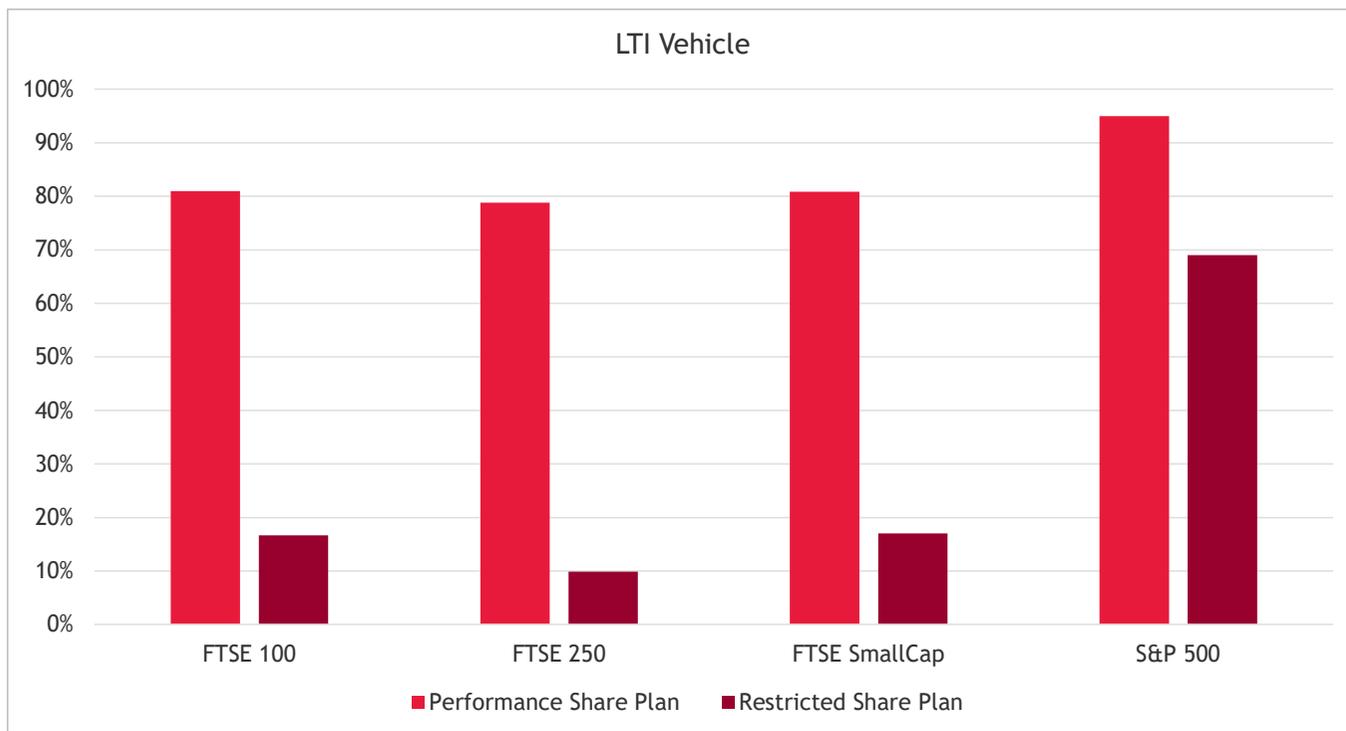
- Both CEOs and CFOs have received similar base salary increases.
- At median, Total Remuneration for CEOs has increased at a lower rate than CFOs across the FTSE 350, with a notable difference in the TR growth for CEO and CFO in the FTSE 100, driven by greater bonus increases and first year LTI awards for some.
- Increased bonus awards are noted. Any linkage of this to the ending of the bonus cap is one to debate - median bonus awards have increased for both CEOs and CFOs across all indices, with median increases ranging from c.3% to 12%



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Remuneration Trends in FY25

Most prevalent long-term incentive vehicles



Commentary:

- Performance share plans remain the most prevalent long-term incentive plans in the UK, meanwhile Restricted Share Plans remain the second most prevalent vehicle
- On the other hand, the majority of US S&P 500 companies use Restricted Share plans with c.70% prevalence for CEOs, in addition to offering Performance Awards
- Compared to last year, there appears to be an increase in the number of companies using Restricted Share Plans across all FTSE indices, with many of these using hybrid plans (a combination of Performance and Restricted shares).

Remuneration Trends in FY25

Why is there an increase in Hybrid plans?

Investment Association

- The IA's principles of remuneration have enabled flexibility for companies to consider hybrid long term incentives to balance certainty and retention against performance
- Members of the IA remain cautious and expect companies to provide detailed rationale for how the plan aligns with the company strategy and long-term success.

Overseas competition

- Many overseas companies, especially those that are US based operate hybrid plans for top positions
- By not adjusting remuneration to reflect the practices of overseas companies, many large UK firms reported problems with recruitment and retention.

Below Board awards

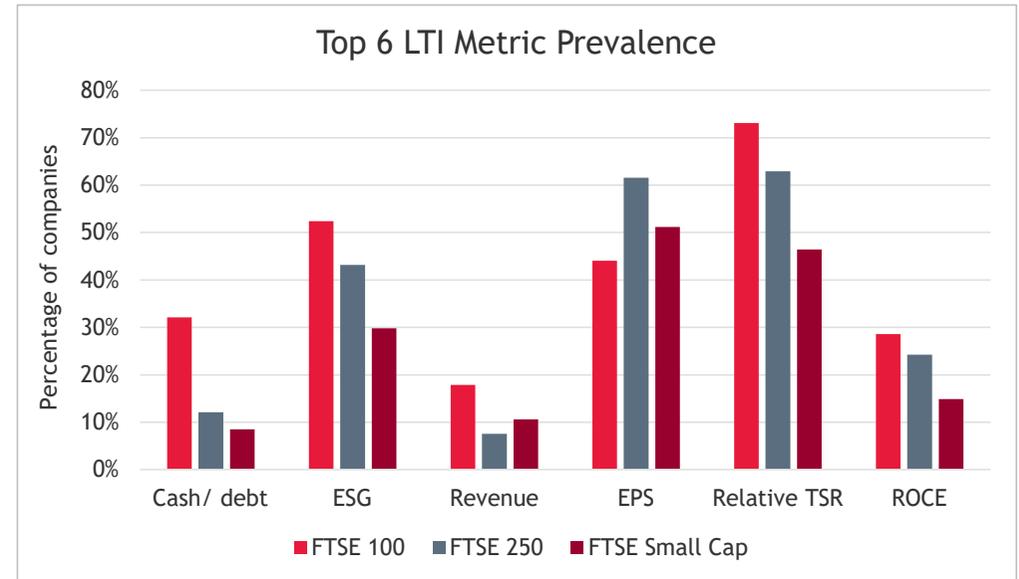
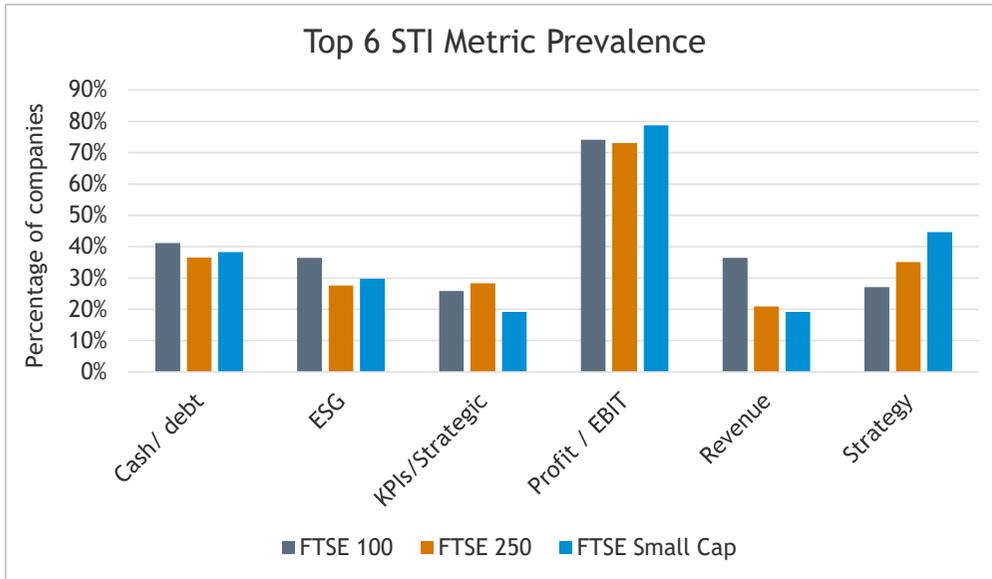
- Many larger UK companies already introduced hybrid plans for senior managers in positions directly below the board, whose remuneration was not previously regulated to the same degree
- This had caused compression at the top end of some companies' pay structures
- Extending hybrid packages to C-suite roles has created uniformity to remuneration.

Mitigating issues

- Using both performance and restricted plans helps to balance problems arising in each type.
 - Performance plans face problems with setting realistic long-term targets in an increasingly volatile market, with payouts fluctuating at extremes where targets are easily met or completely missed
 - Restricted plans lack a link to real performance

Remuneration Trends in FY25

Most prevalent metrics in incentive schemes



Commentary:

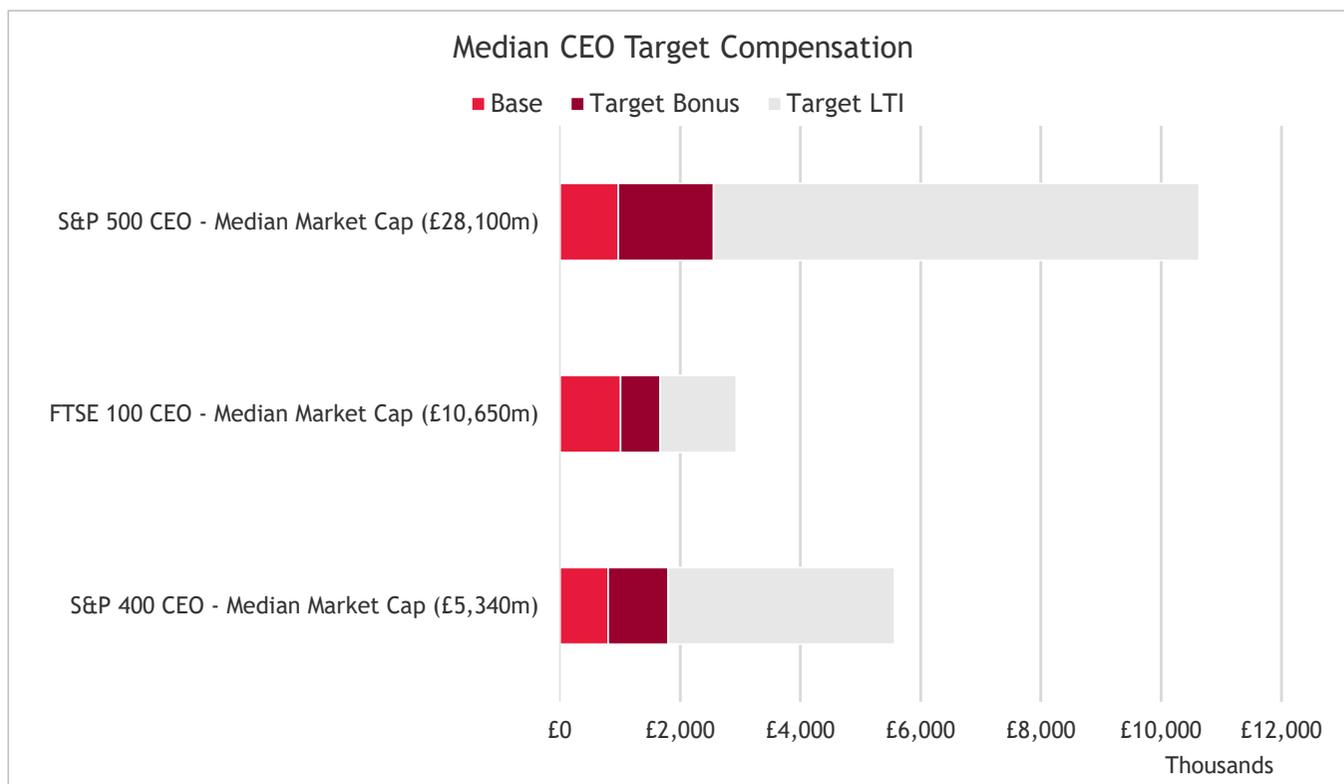
- The most common metrics used in short- and long-term incentives remain unchanged year on year, with a large focus on profit for the short-term and shareholder return in the long-term
- ESG remains an increasing feature of both short- and long-term incentive plans, making it one of the Top 3 performance metrics in FTSE 100 short and long-term incentive plans
- The top 3 ESG metrics consist of Carbon emission and green house gas reduction, Sustainability and a general commitment towards protecting the Environment.

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UK vs US

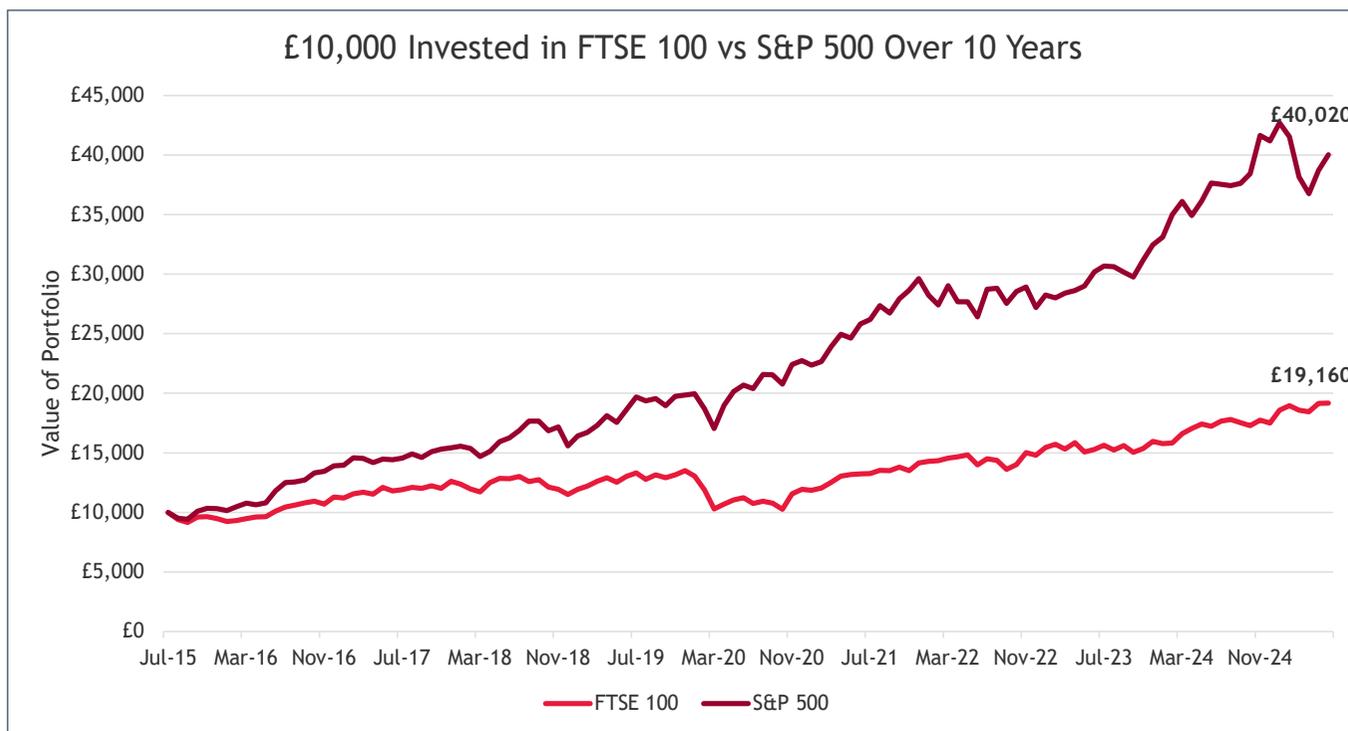
Commentary:

- The chart opposite demonstrates the large discrepancy in the UK and US target compensation levels for CEOs
- Even when comparing FTSE 100 to S&P 400 (which is a smaller index), the median CEO target compensation across FTSE 100 companies is approx. half of that for S&P 400 CEO
- Whilst base salaries have evolved at a similar rate across FTSE 100 and S&P 500 and S&P 400, increases in variable pay opportunity in the US have outstripped the UK by more than 2x
- Over the past 10 years, the median target bonus opportunity in the FTSE 100 has remained the same (vs +20% for S&P 400), while FTSE 100 target LTI opportunity has increased by 30% (vs 95% for S&P 400).



Remuneration Trends in FY25

UK vs US stock market performance



Commentary:

- The chart models the return on £10,000 over 10 years if invested in the FTSE 100 versus the S&P 500
- We can clearly see that S&P returns over the past 10 years have increased significantly while the growth in the FTSE has been somewhat more modest.

What does this mean for share plan design?

Is there a next big thing?

- ▶ Multiple Plans
- ▶ Metrics - weighting edging towards financial metrics
- ▶ Quantum - broadly static but note the upward trend (esp. Hybrid plans) - this trend is hidden...

And for the future??

FOR MORE INFORMATION: **DAVID ELLIS**

+44 (0)7800 682 160
david.ellis@bdo.co.uk

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