

# FTSE 100 – 2022 AGM season update



**As at 3rd June 2022, 71 FTSE 100 companies had published their 2021/22 annual report and accounts. This report, the second in our 2022 series, provides an update on the story so far.**

Most salary increases for executive directors have been aligned with those offered to the wider workforce. Only 28% of companies are tabling a new Policy for approval, and the majority are making limited changes with a focus on updating/formalising policy items such as clawback/malus, pension alignment and post-employment shareholding. 25% of companies that have published (18 companies) are proposing to increase variable pay opportunities, mostly under long-term plans; 2 companies are increasing levels under both their short and long-term plans. Half of these (9 companies) are doing this by way of increases to policy levels, and half (9 companies) are increasing by way of implemented increases under existing policy limits. Whilst AGMs are on-going, we have also provided a summary of proxy agency recommendations and AGM voting out-turns to date.

## Fixed Pay

### Salary

UK inflation rates surged to 9% in April, the highest rate in 40 years. Although median salary increases for the wider workforce are currently at 3.0%, data from the most recent publications suggest that this is likely to increase over the coming months.

Median CEO/CFO salary increase:

**3.0%**

in line with wider workforce increases



**13%** of CEOs/CFOs received no salary increase (2021: 50%/40% respectively)

Of the 18 CEOs (25%) that have received increases above 3.0%, over 80% ranged from 3.1% to 5.0% and were in line with or lower than those provided to the wider workforce.

### Pension

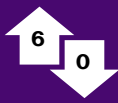


The alignment of executive director pensions with those of the wider workforce is now almost universal; based on current disclosures, almost 90% of companies are compliant with the IA's guidance.

**15%** of salary **to** **13%** of salary

Of the non-compliant companies, two-thirds have disclosed a plan to align albeit with achievement after 2022. The small remainder (3 companies) have one or more executive directors on defined benefit plans not available to the wider workforce and have not disclosed an intention to change this.

## Annual bonus



**6 (8%)** companies have increased bonus opportunities (one has reintroduced a bonus plan); **0** have decreased



**41 (58%)** have changed metrics or weightings



Changes to metrics vary widely. However, **70%** of companies making such changes are either introducing or, more typically, changing/expanding on their **ESG metrics**.

## Long-term incentives (LTIs)



**14 (20%)** companies have increased LTI opportunities, **1** has decreased (alongside the reintroduction of an annual bonus plan)



**8** of the 14 companies increasing LTI opportunities are doing so within previously approved policy limits.

For those companies increasing their policy limits, the median CEO opportunity increase is **33.3%** of LTI opportunity, eg from 225% to 300% of salary.



**24 (34%)** companies are making changes to their metrics or weightings. These vary but **71%** include either introductions or, more typically, changes/expansions to existing **ESG metrics**.

## Environment, Social, Governance



**Annual bonus:** around 65% of companies already include ESG metrics in their annual bonus. **29 (41%)** companies have disclosed either the introduction (14%), further expansion (48%) of, or some other change to (38%), ESG metrics in their 2022 plan. The new and expanded ESG metrics are diverse, but most frequently (**67%** of companies) include **environmental objectives**.



**Long-term incentives:** ESG metrics are less prevalent in LTI plans (38%). **17 (24%)** companies have disclosed either the introduction (53%) or further expansion (29%) of, or some other change to (18%), ESG metrics for their 2022 awards. The new and expanded metrics all (**100%** of companies) include **environmental objectives**, in particular carbon/emissions reductions.

## Pay out-turns

**2021** median single figure  
**£2.9 million**



**2022** median single figure  
**£3.8 million**

The median annual **bonus** payout has increased significantly to **90% of maximum**, from 48% last year. Although 2021 levels reflected a COVID-19-related all-time low, this year's out-turn is higher than any median in the past ten years and is in line with long-term upper quartile levels.

The increase in median **LTIP vesting** has been less pronounced, to 55% of maximum from 48% last year. This remains below typical median levels observed in recent years, which is to be expected given the impact of the pandemic over multiple LTIP performance periods.

**Interventions** were **less prevalent** overall than last year and remained **more likely for the annual bonus than LTI:**

- **bonuses** at 18% of companies were either **reduced** by the RemCo or waived by executive directors (2021: 42%)
  - of these reductions, 85% were through RemCo discretion and 15% through executive director waiver;
  - the median reduction versus the formulaic outcome (excluding waives) was 5%.
- by comparison, 11% of companies altered formulaic **LTI outcomes** (2021: 6%).
  - of these alterations, 86% **increased** and 14% reduced the vesting outcome.

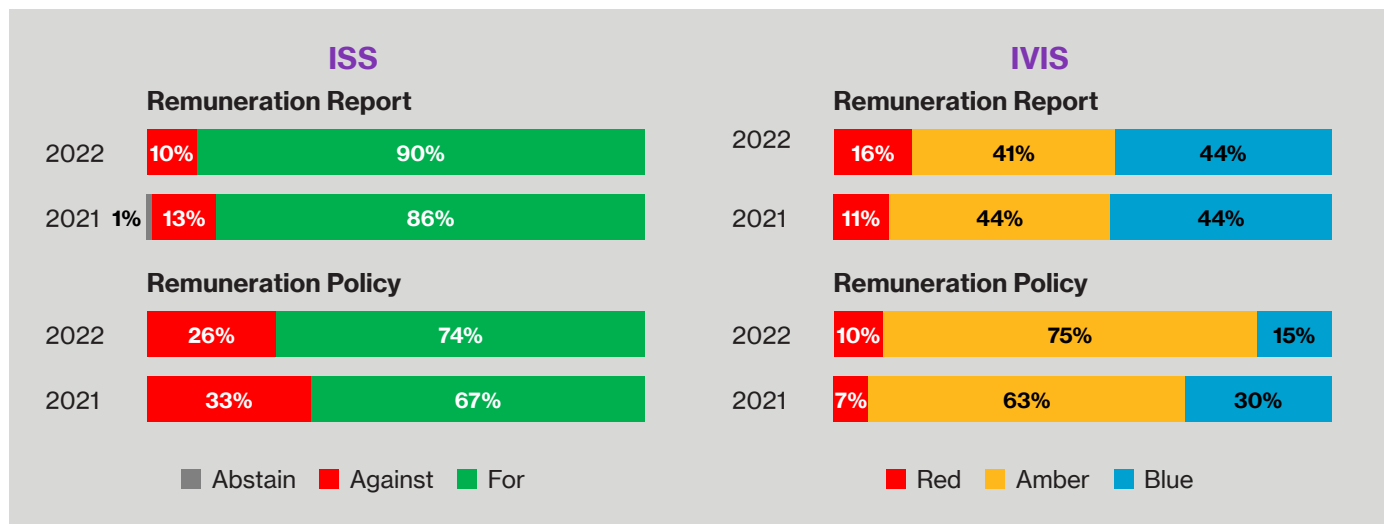
## Proxy agencies and AGM voting

### Proxy agency recommendations

Of our sample of 71 companies, 64 (90%) have so far received a recommendation from either IVIS or ISS (or both).

ISS recommendations (for 60 reports and 19 policies) have been somewhat more favourable than last year. 90% of remuneration reports have received 'for' recommendations so far (2021: 86%), although around 25% of policy renewals have received 'against' recommendations, down from 33% for the whole of 2021.

By contrast, IVIS' recommendations (for 64 reports and 20 policies) have been a little less favourable so far than last year, with more 'red-tops' for both remuneration reports and policies and significantly more amber-topped policies (75%, versus 63% in 2021).



Reasons for an ISS vote against on the remuneration report vary but include:

1. Application of upwards discretion/adjustments to in-flight targets;
2. Insufficient application of downwards discretion (including when in receipt of CJRS);
3. Significant single-step base pay increases (20%+).

The most common reason given for a vote 'against' recommendation on the policy is increases in variable pay quantum.

The most common reasons for an IVIS 'red top' on the remuneration report are:

1. Insufficient/excessive application of downwards/upwards discretion on variable pay outcomes (including when in receipt of CJRS);
2. Executive director pensions not aligned with the wider workforce by 2022.

The most common reasons given for a vote 'against' recommendation on the Policy are increases in quantum and extended LTI performance periods when targets may be retested.

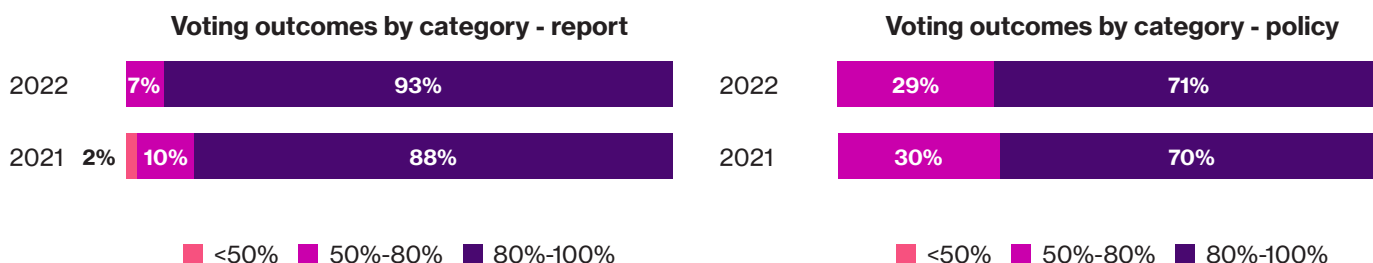
## AGM Voting Outcomes

An ISS 'vote against' recommendation materially influences the voting outcome, with a median vote 'for' of 68% on the policy and 73% on the report, versus a median voting outcome of 94% and 95% respectively if ISS recommends a vote 'for'.

Although levels are a little lower so far this year than last, shareholder support at AGMs remains high with **median support of 94%** for the **remuneration report** (2021: 96%) and **91%** for the **remuneration policy** (2021: 94%).



Despite this dip in median voting outcomes, the overall proportion of "low votes" (ie those below 80%) is smaller so far this year, especially in respect of remuneration reports (7%, down from 12%).



## Further information

For more information on FTSE 100 market data and pay trends please contact your WTW contact or:

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This report includes data sourced from WTW's **Global Executive Compensation Analysis Team**. This report is based on the FTSE 100 (excluding investment trusts) as at 1 April 2022.

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