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Diligent Market Intelligence

Executive Compensation in 2025

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Editor's foreword

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Executive compensation remains one of the most combustible issues in corporate governance. When shareholders repeatedly reject remuneration plans, the dispute seldom ends with pay packages alone. Discontent often escalates into campaigns against directors, and activist investors have become more assertive in linking pay to board accountability. Recent research from Strategic Governance Advisors underscores the stakes; directors are twice as likely to lose their seats in a proxy contest if "say on pay" support drops below 80%.

Even absent activist pressure, compensation committees walk a tightrope. They must balance attracting and motivating executives in an increasingly global talent market with managing shareholder and indeed stakeholder expectations.

Across markets, the pressures take different forms. In the U.K., long-running concerns about competition with runaway U.S. pay levels have collided with investor insistence on restraint. Yet far from narrowing the gap, British companies risk falling behind European peers in the DAX and CAC 40. Meanwhile, in Australia, boards could be heading for a combative proxy season. The "two strikes" rule has already triggered a record number of spill resolutions, and while most have been met with limited support, the reputational impact has made directors acutely sensitive to investor scrutiny.

Benchmarking against peers can only take boards so far. What elevates decision-making and communicating strategic imperatives is access not just to comparative pay data but also to intelligence on investor voting behavior.

Learning from other situations is also valuable. At the heart of shareholder pushback are some of the most contentious practices that undermine trust in compensation structures. Special equity awards and evergreen provisions, while designed to offer flexibility, have increasingly been criticized as vehicles for misalignment when poorly justified. Other firms faced scrutiny for excluding major operational or accident-related costs from performance assessments. Across the Russell 3000, several boards hired external compensation advisors and shareholder engagement consultants to rebuild trust after failed "say on pay" votes.

That is why Diligent Market Intelligence (DMI) stands apart. We are the only provider to pair end-to-end shareholder engagement and voting data with independent editorial coverage and analysis. This combination equips issuers to anticipate pressure points, improve engagement, and make informed governance decisions. If you find this report useful, we encourage you to request a trial at dmi.info@diligent.com.

This report, compiled by DMI Publications Editor Antoinette Giblin, expands on our standard annual quantitative analysis of executive compensation data, this year with the inclusion of a selection of recent DMI articles from H1 – a period covering the vast majority of compensation disclosures. We hope it provides both perspective and practical insights, and whets your appetite for the broader datasets available through our platform and through direct data feeds.

Executive summary

1. CEO pay is on the rise globally with the S&P 500 at the top of the leaderboard with median granted compensation reaching $17.1 million.

2. Influenced by updated guidance, the U.K. market is carving out its own path in a bid to make executive pay more competitive with a 10% rise bringing median realized pay at FTSE 100 companies to 4.3 million pounds.

3. Median realized pay at many key European indices, however, surpassed that recorded by London's FTSE 100, with Germany's DAX reaching a median of 5.9 million euros and Paris' CAC 40 a median of 5.4 million euros.

4. With an acceleration in CEO turnover and competition for talent in challenging times, succession costs have spiralled with S&P 500 companies spending an average of close to $15 million in cash plus equity sign-on bonuses in 2024, up 109% when compared to the year before.

5. Support for "say on pay" plans held relatively steady in 2025 across many indices with the S&P 500, FTSE 100 and the DAX recording an uplift.

6. Australia is braced for heightened scrutiny around executive pay this proxy season with the market recording the highest volume of board spill resolutions in 2024 since the introduction of the "two strikes rule."

CEO pay on the rise

Both granted and realized CEO pay are on the rise across all major indices with the S&P 500 continuing to lead the way buoyed by one of the highest levels of total shareholder return (TSR). Meanwhile, key European indices are closing in on the FTSE 100 as the U.K. pay gap widens.

Below, Diligent Market Intelligence (DMI) tracks how CEO pay is growing across markets:

Russell 3000

Out of all major indices, the Russell 3000 saw the biggest jump in CEO median pay with the figure rising by over 12% to reach total granted pay of just over $7 million, up 17% on 2022.

Realized pay, meanwhile, jumped by 19% to reach a median of $5.1 million.

The index delivered a TSR of almost 24% in 2024.

S&P 500

The S&P 500 saw the second largest jump in median granted CEO pay with the figure increasing by almost 8% to reach $17.1 million. When compared to 2022, total median pay has surged by almost 18%.

Meanwhile, median realized pay also jumped by almost 8% to reach $18 million.

The index recorded one of the most substantial gains in 2024 with a 25% TSR.

FTSE 100

After increasing by almost 5% last year, median granted CEO pay at the FTSE 100 grew by less than 3% for 2024 to reach just over 5 million pounds.

However, median realized pay saw a more significant jump, climbing 10% to reach 4.3 million pounds.

The index posted a total return of roughly 9.7 % in 2024 - its strongest performance since 2021.

CAC 40

In Paris, the CAC 40 saw a more modest increase with median granted CEO pay increasing by less than 1% to reach 6.3 million euros.

The French index saw median realized pay reach 5.4 million euros, up over 6% on that recorded in 2023, and a rise of 11% when compared to 2022.

The index recorded a return of 0.9% in 2024.

> “Both granted and realized CEO pay are on the rise across all major indices.”

DAX

To Frankfurt and the DAX recorded a 6% rise in median granted CEO pay to reach 6.4 million euros after recording a 2.5% decline in 2023.

On realized pay, however, the DAX recorded an 11% jump with the figure rising to 5.8 million euros.

Source for TSR data: S&P Capital IQ

Infographics

Median CEO total granted pay, by index and year

	2022	2023	2024	% CHANGE 22–23 %	% CHANGE 23–24 %	% CHANGE 22–24 %
CAC 40 (€M)	6.43	6.23	6.26	↓3.10	↑0.50	↓2.60
DAX (€M)	6.23	6.04	6.40	↓3.00	↑5.80	↑2.70
FTSE 100 (£M)	4.72	4.94	5.07	↑4.50	↑2.80	↑7.40
FTSE 250 (£M)	2.37	2.50	2.65	↑5.60	↑5.80	↑11.80
Russell 3000 ($M)	5.98	6.40	7.18	↑7.10	↑12.20	↑20.10
S&P 500 ($M)	14.55	15.88	17.15	↑9.10	↑8.00	↑17.90
S&P ASX (AU$M)	3.61	3.49	4.37	↓3.40	↑25.30	↑21.10
S&P TSX (CA$M)	5.23	5.59	6.10	↑6.90	↑9.00	↑16.60

Median CEO total realized pay, by index and year

	2022	2023	2024	% CHANGE 22–23 %	% CHANGE 23–24 %	% CHANGE 22–24 %
CAC 40 (€M)	4.87	5.08	5.40	↑4.30	↑6.40	↑11.00
DAX (€M)	5.29	5.29	5.84	↑0.00	↑10.60	↑10.60
FTSE 100 (£M)	3.76	3.87	4.27	↑3.10	↑10.20	↑13.50
FTSE 250 (£M)	1.65	1.58	1.64	↓3.90	↑4.00	↓0.10
Russell 3000 ($M)	4.27	4.27	5.10	↑0.10	↑19.30	↑19.40
S&P 500 ($M)	16.43	16.80	18.17	↑2.30	↑8.10	↑10.60
S&P ASX (AU$M)	2.58	2.70	2.95	↑4.70	↑9.20	↑14.30
S&P TSX (CA$M)	4.98	4.66	5.04	↓6.40	↑8.30	↑1.30

Median executive total granted pay, by index and year

	2022	2023	2024	% CHANGE 22–23 %	% CHANGE 23–24 %	% CHANGE 22–24 %
CAC 40 (€M)	1.40	2.34	1.94	↑67.80	↓17.00	↑39.20
DAX (€M)	2.39	2.72	2.08	↑13.90	↓23.60	↓12.90
FTSE 100 (£M)	2.22	2.36	2.21	↑5.50	↓5.60	↓0.40
FTSE 250 (£M)	1.29	1.37	1.24	↑6.00	↓9.10	↓3.70
Russell 3000 ($M)	1.97	2.02	2.21	↑2.50	↑9.40	↑12.10
S&P 500 ($M)	4.32	4.49	4.71	↑3.80	↑4.90	↑8.90
S&P ASX (AU$M)	1.42	1.46	1.55	↑3.20	↑6.30	↑9.80
S&P TSX (CA$M)	1.81	1.88	1.93	↑3.70	↑2.90	↑6.70

Median executive total realized pay, by index and year

	2022	2023	2024	% CHANGE 22–23 %	% CHANGE 23–24 %	% CHANGE 22–24 %
CAC 40 (€M)	1.07	1.68	1.22	↑56.20	↓27.10	↑13.80
DAX (€M)	2.14	2.22	1.75	↑3.70	↓21.00	↓18.10
FTSE 100 (£M)	1.88	1.49	1.60	↓21.10	↑7.50	↓15.20
FTSE 250 (£M)	0.85	0.84	0.78	↓1.20	↓6.50	↓7.70
Russell 3000 ($M)	1.38	1.43	1.55	↑3.50	↑8.00	↑11.80
S&P 500 ($M)	4.00	3.89	3.93	↓2.00	↑1.10	↓0.90
S&P ASX (AU$M)	1.08	1.07	1.15	↓0.70	↑7.00	↑6.20
S&P TSX (CA$M)	1.44	1.53	1.53	↑6.50	↓0.10	↑6.40

Source: Diligent Market Intelligence / Compensation

Median CEO total realized LTI by index and year

	2024
CAC 40 (€M)	2.54
DAX (€M)	1.61
FTSE 100 (£M)	1.62
FTSE 250 (£M)	0.40
Russell 3000 ($M)	2.39
S&P 500 ($M)	12.36
S&P ASX (AU$M)	0.40
S&P TSX (CA$M)	2.12

Source: Diligent Market Intelligence / Compensation

Median pay ratios by sector at S&P 500

	2023	2024	% change
Communication Services	267.0	237.5	⬇ 11
Consumer Discretionary	426.0	375.5	⬇ 11.9
Consumer Staples	322.0	238.0	⬇ 26.1
Energy	105.0	109.0	⬆ 3.8
Financials	170.0	179.0	⬆ 5.3
Healthcare	197.5	220.5	⬆ 11.6
Industrials	189.0	183.0	⬇ 3.2
Information Technology	210.0	217.5	⬆ 3.6
Materials	200.0	202.2	⬆ 1.1
Utilities	80.5	87.0	⬆ 8.1

Source: Diligent Market Intelligence / Compensation

Leadership shakeups fuel surge in succession costs

Propelled by an acceleration in the rate of CEO turnover at the S&P 500, a continued increase in executive pay and competition for talent in uncertain times, the cost of CEO transitions has spiraled, writes Will Arnot.

According to DMI Governance data, 68 S&P 500 CEOs departed their roles in the index during 2024, up 30% on 2023 with the pace of turnover increasing by over 50% when compared to 2015.

It comes as median CEO compensation in the index saw an 8% year-on-year increase to reach $17.2 million in 2024, according to disclosures released earlier this year.

S&P 500 companies making top-level executive changes paid out an average of close to $15 million in cash plus equity sign-on bonuses in 2024, a 109% jump on the figure granted the year prior, according to Diligent Market Intelligence (DMI) Compensation data.

The revolving door

The average tenure for an S&P 500 CEO currently stands at seven years, according to DMI *Governance* data. Those at the helm facing increasing pressure to deliver or walk away, Georgeson's Senior Managing Director Rajeev Kumar told DMI. "CEOs are being replaced at a higher rate. Turnover is at its highest since around 2005," he said.

The acceleration in such top-tier departures is often linked to the COVID-19 pandemic, where CEOs were seen to have enjoyed a period of protection created by its sudden onset while others paused retirement plans to address the evolving situation.

"There were a lot of CEOs who might have chosen to retire in the last several years but stuck it out through the pandemic to steer companies through that crisis," noted Willis Towers Watson's (WTW) Executive Compensation Consultant Andrew Goldstein.

Activist investors have also ramped up attempts to call time on CEOs at companies where lingering performance and governance issues are perceived as standing in the way of value creation. One example from the most recent season saw Mantle Ridge succeed in its bid to remove longtime Air Products and Chemicals CEO Seifi Ghasemi from the helm. After losing three board members in a January proxy fight, the company named Eduardo Menezes as its new CEO with his package including a 2025 equity incentive valued at $9.8 million.

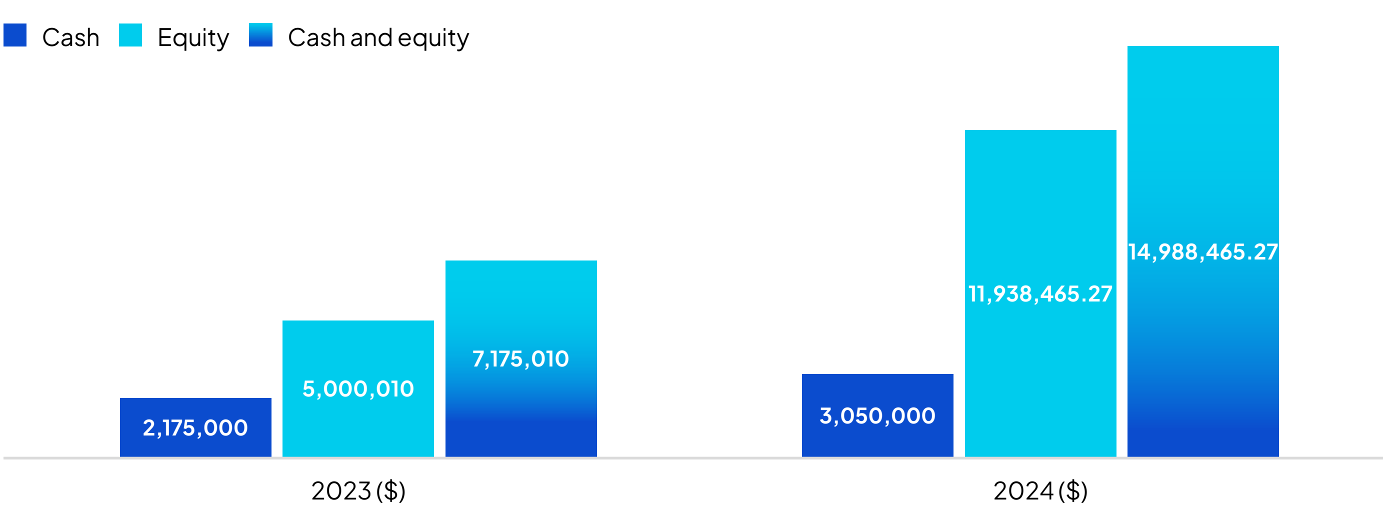
> "As compensation rises, it costs more to pull an executive to a new company."

Others cite the "baby boomer" generation reaching their retirement years, with the average age of an S&P 500 CEO currently standing at 59, based on available disclosures.

The cost of talent

With many boards at a point of transition around CEOs, the cost of that changeover is expected to continue to inflate through 2026 with the make-whole element which compensates CEOs for the packages they walked away from - expected to be a driving factor.

Average sign-on bonus payments at S&P 500



Source: Diligent Market Intelligence / Compensation

"Long-term incentive (LTI) grants for executives continue to increase and the stock market continues to do well, so as a result the value of unvested equity, which drives the sign-on bonus, is likely to continue to grow," said Goldstein.

"As compensation rises, it costs more to pull an executive to a new company," Bruce Kistler, managing director at Okapi Partners, told DMI. "If they're leaving a large-cap role, it takes bigger make-whole awards to offset what they give up. Some of the variation depends on which companies are hiring but overall, everything is escalating."

Nike, Starbucks and International Flavors & Fragrances (IFF) recorded some of the highest sign-on payouts of any company in the index in 2024. The sportswear giant handed $22.3 million to new CEO Elliott Hill after a succession process that settled on its former division president's "global expertise, leadership style, and deep understanding of our industry and partners."

> "CEOs are being replaced at a higher rate."

Starbucks, which had both Starboard Value and Elliott Management enter its stock register in 2024, awarded Brian Niccol $19.3 million to secure his appointment as CEO and chair of the coffee chain. Niccol had previously been considered a successful and popular boss of Taco Bell and Chipotle, including among employees.

IFF spent $9.2 million to secure Erik Frywad for the top role, pointing to his decades of operational experience in the nutrition, agriculture and chemicals industries.

Cutting ties

Severance pay adds another layer of cost to the CEO transition process with the index paying out an average of $2.9 million in cash to departing CEOs in 2024 and some $383 million since 2020.

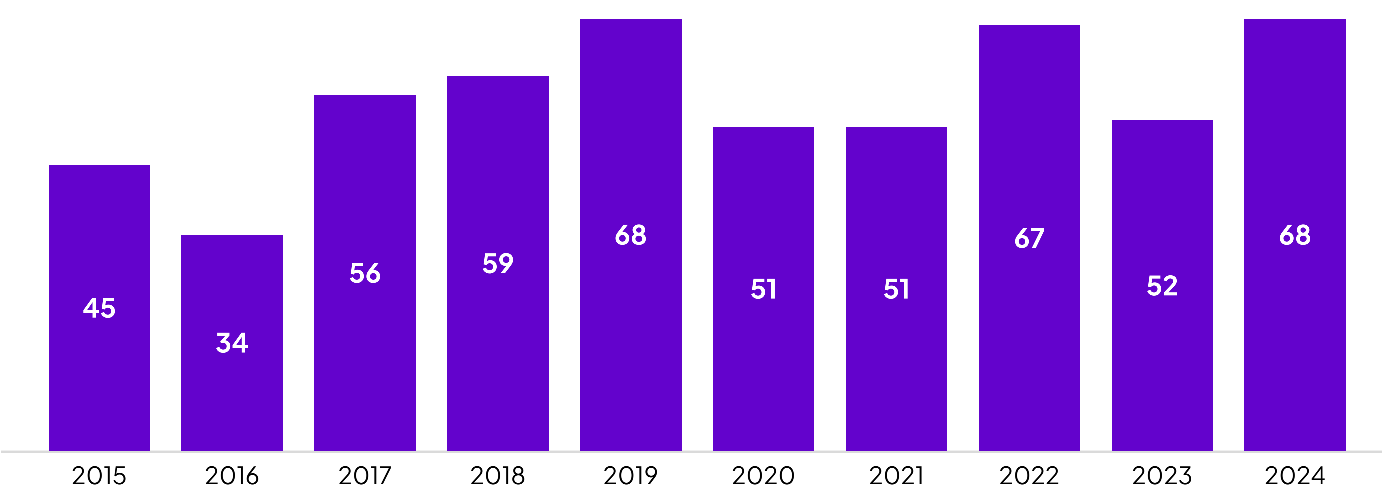
Last year, former FMC Corp. CEO Mark Douglas was granted one of the largest cash severance payments in the index at $5.8 million, while tech company PTC's James Heppelmann and ex-Starbucks boss Laxman Narasimhan came in second and third, respectively, with severance packages valued at close to $5.1 million.

Recent years have seen shareholder proponents push several targets to adopt a policy that would allow a shareholder vote on golden parachutes seen as excessive.

John Chevedden has largely led the effort advancing resolutions at several S&P 500 companies in recent years, including at UnitedHealth Group, Vertex Pharmaceuticals, Synopsys and Salesforce.

However, Dan Pliskin, a partner at AON, told DMI that many such demands have had limited success with the investor base as "companies resist arbitrary caps that tie their hands in offering competitive packages."

CEO departures at S&P 500



Source: Diligent Market Intelligence / Governance

UK takes stock of compensation approach

As the U.K. moves to find an appropriate way to bridge the executive pay gap with the U.S., companies and sectors most exposed to the market are slowly reconsidering their approach with many considering how best to balance performance- and non-performance compensation incentives, writes William Arnot.

DMI data show that median CEO pay at the S&P 500 reached $17.2 million in 2024, up 8% on 2023. At the FTSE 100, meanwhile, median pay has also been rising to reach 5.1 million pounds in 2024, a 3% jump versus 2023.

Even outside of the U.S. market, the U.K. is facing pressure at a European level. DMI data show that median FTSE 100 CEO realized pay is now trending lower than counterparts in Germany's DAX 30 and France's CAC 40.

At the FTSE 100, long term incentive (LTI) pay accounted for 52% of median pay in 2024 and saw a 12% increase when compared to 2023, with base salary increasing by 7% - more than double the rate seen in 2022. At the S&P 500, LTI accounted for 68.4% of the overall median package awarded in 2024, up 8% while base salary saw a 3% rise, flat on 2022.

> "We've seen a lot more companies come forward with a new policy than we would generally have expected this year."

The shifting pattern has been influenced by many factors including a war for talent where the transatlantic divergence continues to drive debate with the U.K.'s Capital Markets Industry Taskforce having been one of the most vocal on its view that companies should be allowed to raise CEO pay in a bid to attract global talent.

Concerns were heard with the Investment Association (IA) updating its principles of remuneration late last year to simplify guidance on restricted share plans (RSPs) and recognize a move toward hybrid compensation models for companies competing in the U.S. market for both customers and talent.

"IA members want a competitive U.K. listing environment that attracts companies to list and operate in the U.K.," the association said in its October 2024 statement while explaining the updated guidance "encourages companies to adopt the remuneration structure most appropriate for their business, corporate strategy and performance, and to explain how this aligns with the long-term interests of the company and its shareholders."

Comfort to reconsider

The guidance has triggered many to reconsider their options to make executive pay more competitive while also doing so ahead of time.

"We've seen a lot more companies come forward with a new policy than we would generally have expected this year," Mercer's U.K. Practice Leader, Executive Reward Nic Stratford, told DMI. "Most companies are on a three-year policy cycle and for most companies we would have expected new policies next year. It seems clear that some large U.K. companies have gone early with policy updates in order to take advantage of some of the increased flexibility." Corporate Governance Co-Lead at Schroders Pippa O'Riley also noted that the IA's changes have given companies comfort to consider a change in approach.

"The language used in the IA's updated principles allows companies to take a more creative and nuanced approach to their remuneration structures, rather than in the past where they may have felt the need to construct a scheme which fits within tighter bounds but may not have been the 'best fit' for their particular business," she told DMI.

As a result, how have such companies been adjusting their approach? Stratford noted that many companies that have made policy changes have focused on the quantum of variable pay, rather than trying to make big structural changes in plan design and that those to have made the most significant reforms tended to have considerable exposure to the U.S. market.

The number of companies to adopt RSPs in the U.K. remains low. Just 25% of the companies that were listed on the FTSE100 in 2023 had RSPs compared to around 78% at the S&P 500.

In 2019, 2.1% of the average FTSE100 CEO's granted compensation came from RSPs with the figure increasing to 3.8% in 2023.

Disclosure and justification

As the U.K. continues to balance fairness and corporate responsibility with the need to advance the market's competitive position, investors are resolute in what they are looking for from issuers: transparent disclosure and reasonable justification for changes.

Such factors have likely influenced a rise in support levels for remuneration policies at the FTSE 100 in recent years with support levels rising from 88% in 2021 to 92.5% in the first half of 2025.

Advisory remuneration proposals voted on at the index have also seen increased investor backing with average support rising from 92.7% in 2023 to 95.3% in 2024, higher than any year on DMI's record. The first half of 2025, however, saw investor confidence take a dip with support for "say on pay" resolutions averaging at 92.8%.

O'Riley highlighted that companies are generally best prepared by coming to shareholders early with any proposed changes and by also being willing to negotiate to find an agreeable package for all stakeholders.

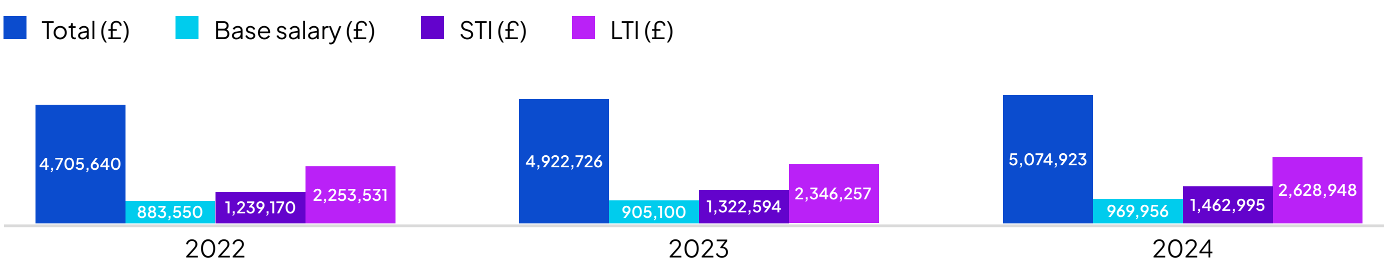
Yousif Ebeed, corporate governance co-lead at Schroders, also noted that investors are likely to be more accepting of structure changes if issuers are "taking a haircut on quantum," especially on the restricted part of the plans. He stated that for the most part, companies that have changed their plans since the IA's update have "listened to the guidance and operated within that," with some outliers.

> "The language used in the IA's updated principles allows companies to take a more creative and nuanced approach to their remuneration structures."

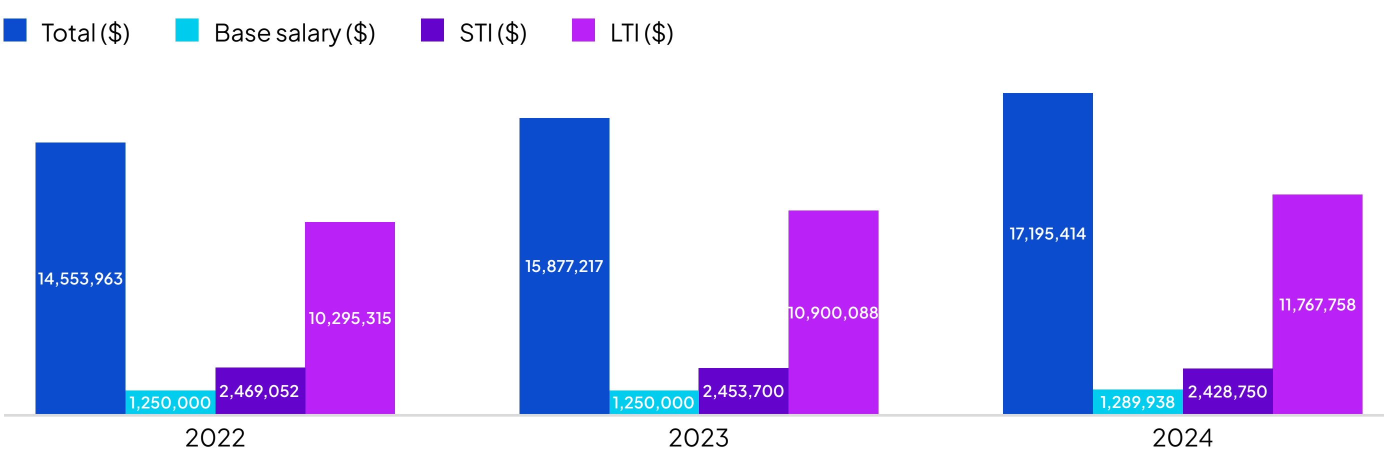
Looking ahead, remuneration committees are advised to use the competitive argument wisely, and only when there is a robust argument for pivoting to a U.S.-style compensation package. Compensation consultants told DMI that this should always take the company's sector, size, peer group, operations and strategy into consideration.

"The consultation process is more important than ever. We need to understand why a company believes this is the right move, what peer group they are using, which is crucial, and ensure it is the right decision for them," O'Riley concluded.

FTSE 100 median granted CEO pay



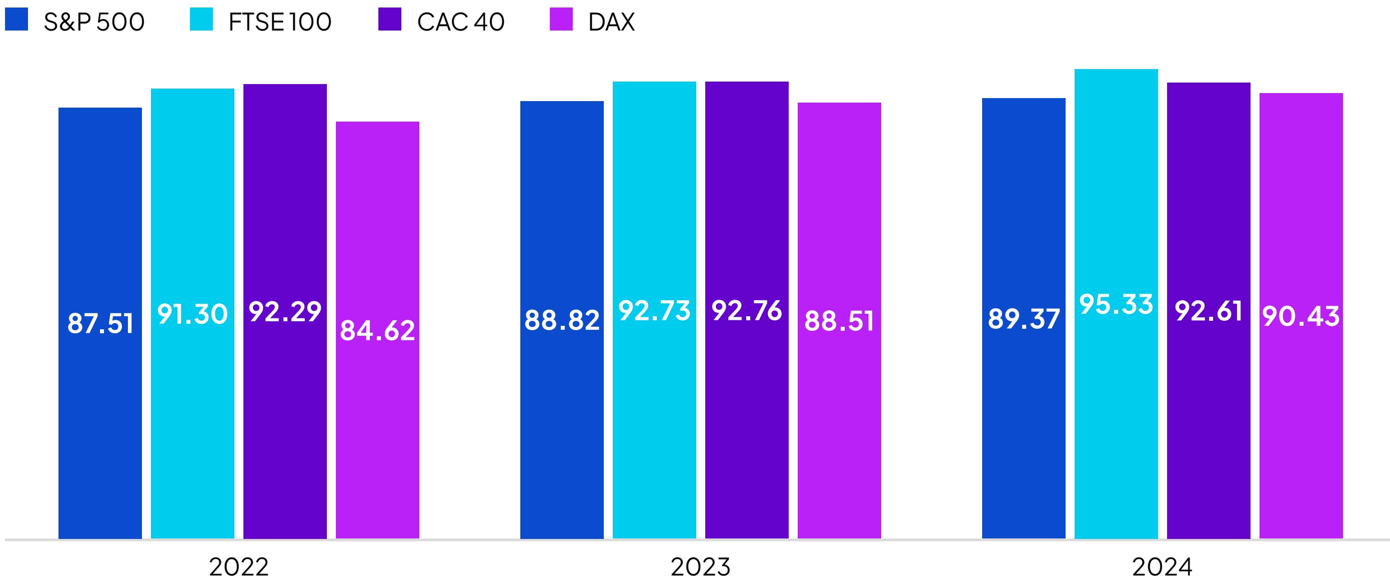
S&P 500 median granted CEO pay



Source: Diligent Market Intelligence / Compensation

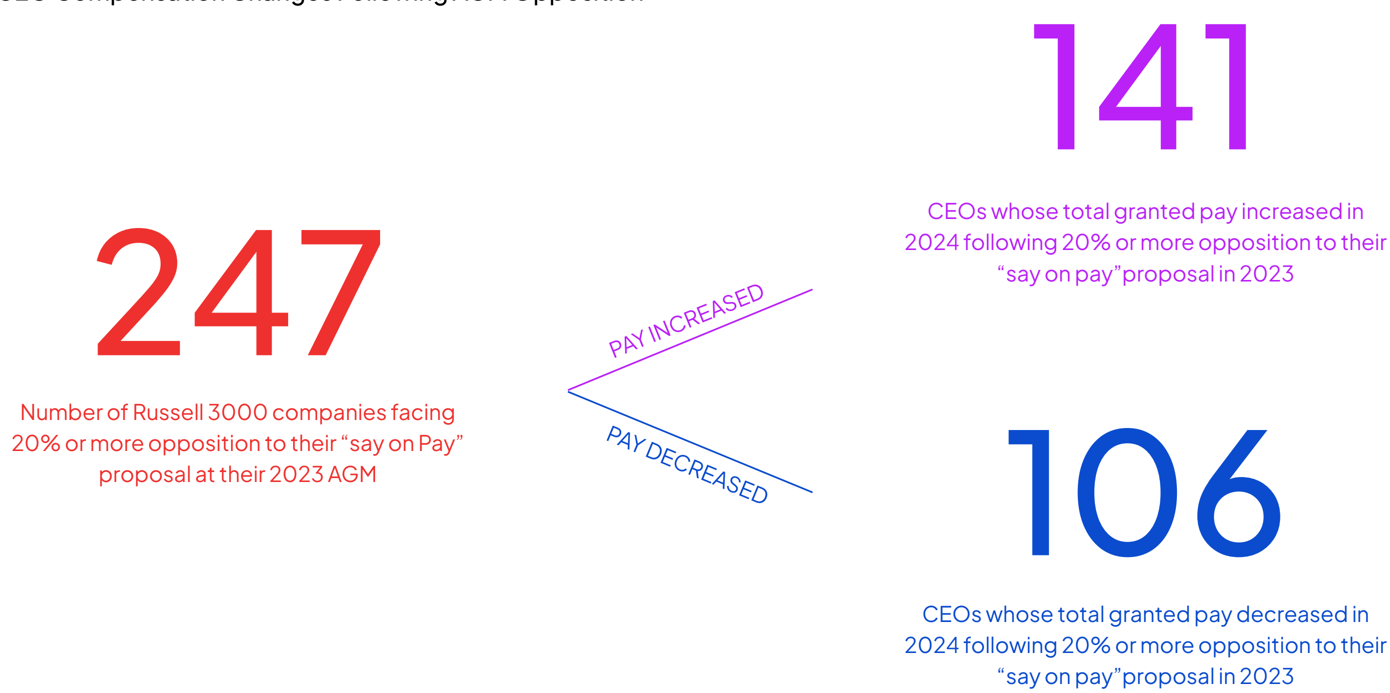
Support for advisory remuneration proposals

Average support for pay plans by year and index (%)



Source: Diligent Market Intelligence / Voting

CEO Compensation Changes Following AGM Opposition



Source: Diligent Market Intelligence / Compensation & Voting

Boards listen as shareholders push for accountability on pay

Scrutiny of executive compensation sharpened in the first half of 2025, writes Antoinette Giblin, even as overall support for pay plans among Russell 3000 companies saw only a marginal decline with average backing of 91.5%, compared with 91.7% a year earlier.

The volume of failed pay plans has been trending down in recent years – from 41 in 2022 to 40 in 2023 and 22 in 2024 – although in the opening half of 2025, 24 pay plans failed to secure majority support.

Voting rationales collected by DMI show stewardship teams made persistent calls for robust pay-for-performance alignment, meaningful transparency, and moderation. Neuberger Berman and Schroders frequently questioned incentive structures that seemed detached from genuine performance, while Columbia Threadneedle Investments placed particular emphasis on the need for clearly disclosed awards tethered to demanding targets, and Legal & General Investment Management raised concerns on justification of special retention grants and evergreen equity awards.

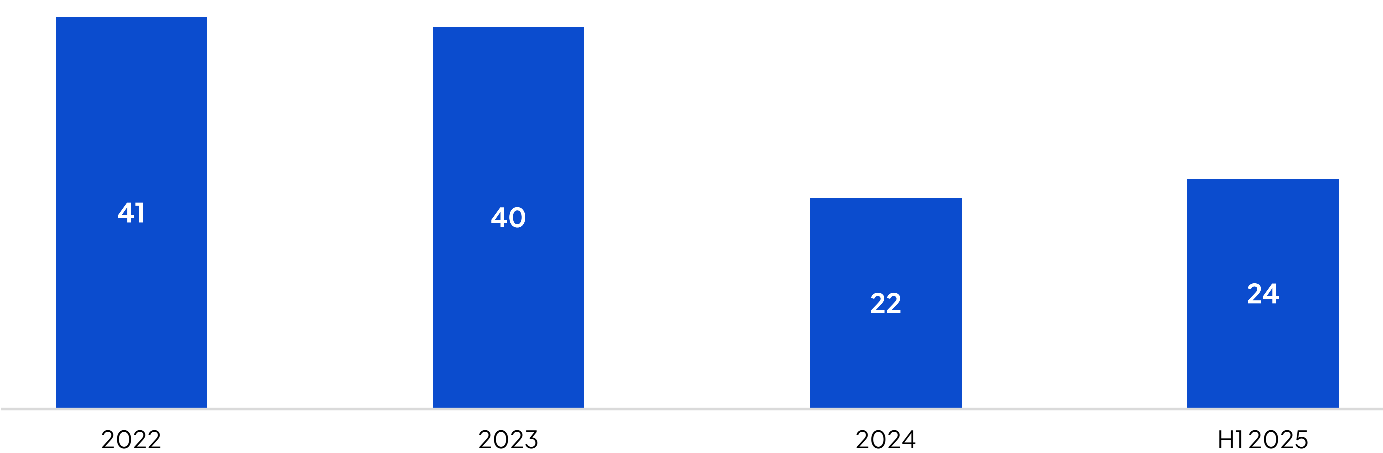
In response to this feedback, companies that failed "say on pay" plans 2024 initiated a spectrum of reforms. Enhanced disclosure was the most common response, with firms overhauling compensation committees and communications while also clarifying performance conditions for incentive awards. iRhythm Technologies, after facing vocal investor criticism in 2024, eliminated special equity awards and dropped evergreen provisions entirely, stepping up transparency and committing to avoid future one-off grants barring extraordinary circumstances.

Others made broader shifts, including redesigning long-term incentives to reward cumulative achievement across multi-year periods. 3M, for example, restructured its performance share awards, deploying a relative total shareholder return (TSR) payout modifier and extending measurement to three-year windows, directly responding to investor concerns.

> "Boards also responded with new guardrails on annual incentives."

Boards also responded with new guardrails on annual incentives. Jet Blue Airways capped annual payouts for executives and stretched measurement periods to yield a clearer reflection of each year's operational performance. Safety and accountability were central themes in the dialogue around Norfolk Southern, where more than 72% of votes cast at the railroad's May 2024 annual meeting rejected its "say on pay" plan. Central to the debate was the committee's decision to exclude the financial fallout of the East Palestine train derailment from vesting outcomes for performance share units (PSUs)- an exclusion that prompted opposition from investors.

No. of failed "say on pay" plans at Russell 3000 companies



Source: Diligent Market Intelligence / Voting

Norfolk Southern responded decisively. It reconstituted its compensation committee, appointing three new members and a new chair tasked specifically with making compensation programs more responsive to shareholder concerns. An independent compensation consultant helped facilitate meaningful outreach. Most critically, Norfolk reversed course in its revised pay plan. The financial impact of the East Palestine derailment was included when calculating annual incentive and PSU results for 2024, reducing payouts to key executives by 17% under the annual incentive plan and by 16% for PSUs. This compensation reset was complemented by heightened stock ownership requirements for executives and strengthened share retention policies for both leadership and directors, directly addressing investor demands for accountability tied to safety and social outcomes.

Support for Norfolk Southern's pay plan soared to 95% at the 2025 annual meeting, exceeding the average.

Elsewhere, Salesforce hired a compensation consultant and instituted new restrictions on future supplemental equity awards, responding to specific critiques about excessive and misaligned grants from investors including Fidelity International and the Florida State Board of Administration. Paramount Group opted for greater transparency and a categorical end to most front-loaded equity awards except in extraordinary cases.

Threaded through these reforms were common strategies such as changes to share retention requirements. Performance share units were introduced and measurement periods extended, as seen at Harley-Davidson - a direct response to investor feedback from BlackRock and others that had called for stronger pay for performance links. Companies provided clear signals that exceptional or supplemental grants would be rare and justified transparently, reinforcing a commitment to robust disclosure and competitive benchmarking.

> "Voting rationales reflected persistent calls for robust pay-for-performance alignment, meaningful transparency, and moderation of pay quantum."

By the close of the 2025 proxy season, these adjustments had yielded tangible results. Of the plans to fail in the opening half of 2024, only two went on to face another failed vote in the opening half of this year.

How did compensation feature in activist demands in H1?

The opening half of 2025 saw an increase in the volume of remuneration-focused demands advanced by activists in many key markets including the U.S., Canada and Asia.

Below, Simon Roughneen takes a look at how executive pay reform featured in investor demands across regions.

U.S.

The volume of remuneration-related demands made by activists at U.S.-based companies reached a five-year high in H1 with 72 recorded by DMI, up 7% on the same period in 2024 and an 89% jump when compared to the opening half of 2021. Overall, remuneration featured as one of the top four concerns for activists operating in the region, trumped by others including those focused on governance as well as moves to appoint personnel.

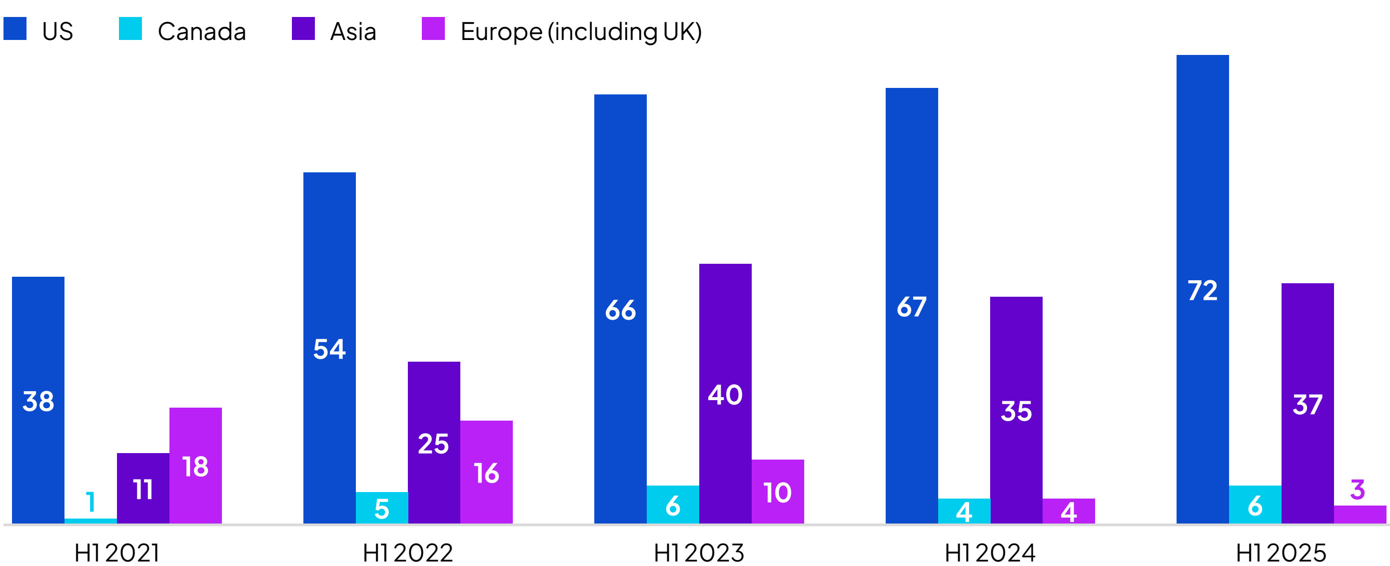
John Chevedden was one of the most vocal on pay in the period with 36 demands advanced via shareholder proposals across a range of large and mid-caps. His demands varied from putting severance agreements to a vote to efforts to amend clawback policies or to introduce share retention policies. The shareholder advocate had greatest success around severance reforms, securing 47% backing for a shareholder proposal advanced at Adobe which argued for a shareholder vote on golden parachutes with an estimated value exceeding 2.99 times the sum of the executive's base salary plus target short-term bonus. Chevedden had made the case that even if there are current golden parachute limits, they should be viewed as a speed limit. "A speed limit by itself does not guarantee that the speed limit will never be exceeded. Like this proposal, the rules associated with a speed limit provide consequences if the limit is exceeded. With this proposal the consequences are a non-binding shareholder vote is required for unreasonably rich golden parachutes." For its part, Adobe said its compensation programs for executive officers do not provide cash severance outside of a change of control while also highlighting that its change of control plan "limits cash severance to executive officers to well below 2.99 times the sum of base pay plus target annual bonus."

Land and Buildings also had pay on its radar with 10 demands made at a range of real estate investment trusts in the period. At Rexford Industrial Realty, Jonathan Litt criticized what he viewed as "egregious" remuneration and urged shareholders to vote against the reelection of its compensation committee members. At the June meeting, all directors were returned with upwards of 93% support while the "say on pay" plan faced 14% pushback.

Land and Buildings also targeted Equity Residential, citing long-term underperformance and what it viewed as unjustified multimillion-dollar pay packages and again asking fellow investors to vote against the compensation committee. At the June meeting, all directors were returned with upwards of 94% backing while the pay plan was met with 11% opposition.

Other targets included Crown Castle and AvalonBay Communities with Litt asserting on X that persistent underperformance should not be rewarded with multimillion-dollar pay packages.

No. of compensation demands made by activists by region



Source: Diligent Market Intelligence / Activism

Canada

Six pay-related activist demands were made at Canadian companies during the first six months of the year, up from four in the same period of 2024. Vancity Investment Management was one of the most active on pay in the region pushing for reforms around pay ratio disclosure in the banking sector targeting Canadian Imperial Bank of Commerce, the Royal Bank of Canada and Bank of Montreal. Vancity argued that executive pay has far outpaced that of average workers and that the widening pay gaps pose risks to economic stability. Lincoln Gold Mining was another target for compensation reforms with nickel and cobalt miner Sherritt International also facing demands.

Asia

There were 37 pay-related public demands made by activists operating in the Asia market during the first half of the year, up from 35 in the same period in 2024 and a considerable increase from the 11 recorded in the opening half of 2021. Japan accounted for 65% of such demands.

Nippon Value Action Fund was the most prolific, with nine pay-related demands at Japan-based companies including at ozone analysis component manufacturer Ebara Jitsuguo, where the activist ended up winning almost 15% support for its proposal to revise the amount of remuneration related to its restricted stock compensation plan. At Mitsubishi Pencil, the activist's proposal to increase the restricted share remuneration scheme for directors to incentivise them to do more to enhance shareholder value - failed to secure sufficient support to pass.

Dalton Investments was also active on pay, targeting five companies with demands over the half-year period. At Toyota Industries, Dalton pressed to introduce restricted stock awards as a performance-linked incentive system

> “Japan accounted for 65% of pay-related demands in Asia.”

tied to return on equity (ROE) and total shareholder return (TSR), ultimately winning the support of around 10% of votes cast at the company's June 10 annual meeting. Hibiki Path Advisors put forward three proposals, while Palliser Capital made two, including at Keisei Electric Railway, where it sought pay-related reforms due to what it depicted as profit margins, return on assets, true return on equity and price-to-book ratio trading “significantly below peers.”

Of the 13 South Korean companies to be on the receiving end of pay-related demands, a majority were targeted by concerned shareholders, with the Ewha Group Shareholder's Alliance among the most vocal on pay, making demands at three tech companies.

Europe

Unlike many others, Europe saw a drop-off in pay-related demands with the number falling to just three from a peak of 18 in the opening half of 2021. All three targeted U.K.-based companies with the Local Authority Pension Fund Forum (LAPFF) pushing for pay reforms as part of its wider campaign at BP which had criticized the oil giant's move to alter its climate strategy without seeking shareholder approval. In turning the spotlight to pay, LAPFF highlighted its expectation for a clawback of any component of remuneration earned that “depended on a strategy that no longer exists.” “The remuneration committee had created an executive pay scheme with the Paris Alignment targets in it. Executives have therefore been paid in the short term for things - that would always take the long term to crystalise – that won't now happen,” the group had argued.

Australia braces for heightened scrutiny around executive pay

Australian boards could be set for a tense proxy season, after facing the highest number of board spill resolutions since the introduction of the two-strikes rule over a decade ago, writes Ross Carney.

According to Diligent Market Intelligence (DMI) *Voting* data, 29 board spill resolutions went to a vote at ASX 300–listed companies in 2024, up from 16 in 2023 and just seven in 2012 – the first full year companies were required to give investors a chance to vote out directors after failing two consecutive remuneration report votes.

Michael Robinson, principal and director of Guerdon Associates, said the record volume of board strikes in part reflects a declining tolerance from institutional investors to support remuneration reports with large pay increases. "If you look at fixed pay base salaries, investors are quite intolerant of increases. The two-strikes rule has had a major impact on this. Across the ASX 200, CEO fixed pay hasn't changed meaningfully since 2011. It's flat."

Two strikes and you're out

The two-strikes rule, introduced through the Corporations Amendment Act 2011, was designed to give shareholders more power over executive remuneration. A company receives a first strike if a remuneration report faces 25% or more opposition at the annual meeting. In such cases, the company must address the concerns raised and outline either the changes made or the reasons for not acting on them. If the subsequent remuneration report faces 25% or more opposition, shareholders must then vote on a spill resolution which determines whether all directors - with the exception of the managing director - must stand for reelection at a spill meeting to be held within 90 days. If the spill resolution passes with majority support, directors are removed and must seek reelection.

Since its introduction over a decade ago, however, no board spill resolution which has gone to a vote has secured majority support, according to DMI records.

Proxy advisor Glass Lewis views the measure as a "last resort," only supporting a spill resolution in cases of serious, substantiated governance failures beyond remuneration. While Institutional Shareholder Services (ISS) doesn't overtly specify how it will approach a spill vote, it notes that many investors use the 25% strike as a threshold for identifying significant issues of concerns. ISS will consider if and how the company has sought to understand the reasons behind the vote result, and how the company has communicated its response to the dissent. "As a starting point, dissent of 25% or more will generally be used as the trigger for this case-by-case analysis."

For its part, asset management giant Vanguard has stated that it would generally vote against a board spill resolution unless "egregious" pay practices exist, explaining that it may vote against remuneration committee members or other individual directors instead.

The Australian Shareholders' Association, which represents retail investors, warned that a spill would be highly disruptive for a company and outlined that its vote would be determined by the willingness of a board to accept the need for review after a first strike. The group stressed that it would be unlikely to support a board spill where a board has responded appropriately to shareholders' dissatisfaction with the previous remuneration practice.

> "Getting a strike resonates in this market. It's viewed by many directors as a stain on their governance record."

Although the spill vote

Although the spill vote has proven to be largely symbolic with average support of less than 6% in 2024, the two-strikes rule has had a significant impact on remuneration in the region overall setting a bar that is viewed to influence how board governance and director integrity are perceived.

"Getting a strike resonates in this market. It's viewed by many directors as a stain on their governance record. Because of that, boards have paid much more attention to executive remuneration, governance disclosures, and investor engagement," said Guerdon Associates' Robinson.

Marc Stanghieri, founder of PGS Advisers, echoed the leverage created by the potential for reputational damage. "The two-strikes rule imposes real consequences for dissenting votes against the remuneration report and naturally directors' wish to avoid the reputational consequences and scrutiny that comes with it," he told DMI.

Repeat offenders

NRW Holdings is one of the companies to record multiple strikes with its most recent remuneration report attracting 26.2% opposition at its November 2024 annual meeting. The company's remuneration report has faced more than 25% opposition each year since 2018. AXA Investment Management outlined in its rationale against the pay plan that it was not aligned with long-term shareholder interests.

> "Investors want genuine pay for performance alignment, not benchmarking that rewards mediocrity."

Lovisa Holdings, meanwhile, saw its fourth consecutive strike, attracting 73.6% opposition at its November 2024 annual meeting. In its voting rationale against the pay plan, Legal & General Investment Management (LGIM) outlined that the quantitative pay-for-performance analysis indicates a high concern for misalignment of pay, performance and shareholder outcomes, while also stating that there have been multiple years of "excessive long-term incentive grants" for the then CEO Victor Herrero.

The resulting spill resolution was supported by 11.9% of votes cast.

Dicker Data also faced a fifth continuous strike at its annual meeting earlier this year, with the remuneration report attracting almost 77% pushback. Norges Bank Investment Management (NBIM) said "the board is responsible for attracting the right CEO and setting appropriate remuneration. A substantial proportion of annual remuneration should be provided as shares that are locked in for five to 10 years, regardless of resignation or retirement."

Tension building

Proxy season could be tense, given average support for remuneration reports has been in decline. Plans that faced a vote at Australia-based companies in 2024 secured 90.4% backing, down from 90.9% in 2023 and 91.3% in 2022.

Perhaps counter-intuitively given that backdrop, Australian companies paid their leaders more on aggregate last year, potentially as a result of competitive pressures in other markets. While median granted CEO pay at the ASX 300 fell by over 3% in the period from 2022 to 2023, it increased by over 25% in 2024 to reach AU$4.4 million.

Inflationary effects and uneven returns will also be front of mind, according to Jeremy Leibler, a partner with Arnold Bloch Leibler. "Investors want genuine pay for performance alignment, not benchmarking that rewards mediocrity. They will mark down short-term incentives that look like rewards for volatility rather than value creation over time."

Suzanne Wohlthat, principal and director at Guerdon Associates, told DMI that many companies will be bracing for heightened scrutiny around executive pay and performance alignment.

"What investors care about is performance," she said. "If a company is performing really well, then some deviations from the standard remuneration goalposts may be tolerated. But those deviations are the exception, not the rule. This is unfortunate, as it means many companies do not have remuneration that works."

Diligent

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Diligent Market Intelligence is the leading provider of corporate governance, shareholder engagement and investor stewardship data. Trusted by advisors, investors and issuers globally, the Diligent Market Intelligence platform equips firms with the necessary information to proactively manage shareholder pressures, mitigate governance risks, and maintain a competitive edge in the market.

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