



RATHBONES

PLUS500: POLICING PAYOUTS

WHAT'S THE ISSUE?

By 2023 Plus500, a UK company that provides online trading services, had suffered three successive years of shareholder revolts against senior management pay. In each year, these were among the largest votes against pay of the UK corporate voting season. This culminated in a 74.9% vote against management pay at its 2023 annual general meeting (AGM).

These votes, known as 'Say on Pay' votes, allow shareholders to show their approval or disapproval of a company's policy for executive pay for the reporting period. That said, a majority vote against management doesn't legally compel the company to change its pay arrangements.

Repeated large votes against pay are rare, particularly for a company in the FTSE 350 group of the UK's largest listed businesses. This is because bigger companies are under extra scrutiny from investors, regulators, and so on. Such shareholder disquiet points to serious failings in the Board's approach to setting pay.

Following the 2023 AGM, the Board consulted widely with shareholders. It then made significant improvements in how much it disclosed about senior management's pay arrangements.

But ahead of the 2024 AGM, shareholders still had concerns. A particular bone of contention was that since 2020 the company had paid out in full both parts of management's variable pay: the annual bonus and the long-term share incentive scheme. This raised questions about whether the targets that management needed to reach to receive these maximum payouts were stretching enough, particularly since revenue and earnings per share had fallen in the past two years. Moreover, disclosure remained short of what shareholders wanted.

WHAT DID WE DO?

If a company sees successive years of substantial votes against management pay, we usually vote against the re-election of any directors if they sit on the remuneration committee. But this time we were more lenient. We limited ourselves to abstaining on the re-election as a Plus500 director of Professor Varda Liberman. This was because we deem her, as the Chair of the Remuneration Committee, ultimately accountable for setting executive pay.

We adopted this lenient stance partly because of the Board's intensive engagement with shareholders after its 2023 AGM and its efforts to improve disclosure. We also took into account the company's willingness to engage with us over the past few years. Rathbones also considered the improvements made in other areas of Plus500's corporate governance.

However, we voted against the remuneration report because of our misgivings about variable pay. We remained concerned in particular about the targets and – despite progress – about disclosure.

WHAT HAPPENED?

Altogether, 65.8% of shareholders opposed management over the Say on Pay vote. This was the largest vote against pay for a FTSE 350 company in the UK's 2024 voting season. It puts Plus500 on the **Investment Association's Public Register**, a naming and shaming of listed companies that have received a vote against management of above 20%. That means management must publish a statement within six months, saying how it's responded to shareholders' concerns.

There was also an 8.5% vote against the Remuneration Committee Chair.

After these votes, the company contacted us to arrange a meeting to discuss the AGM and the next steps for the Board to take.