

LENS ON:

IA Principles of Remuneration – 2026 AGM Season

12 November 2025

In a letter from Andrew Ninian, the Investment Association (IA) has confirmed that no further changes will be made to its *Principles of Remuneration* for 2026, following its update and simplification last year. However, the IA has highlighted specific areas where implementation could improve as the 2026 AGM season approaches.

Key themes include:

- **Company-specific rationales:** Investors expect clear, tailored explanations of remuneration structures, avoiding generic references to “market competitiveness” or “retention”. Companies should be clear as to the link between pay proposals and the specific circumstances for the company in relation to its strategy and performance.
- **Benchmarking discipline:** the use of benchmarking alone to justify pay increases continues to be discouraged. If benchmarking is referenced, committees should explain peer group selection, size and complexity adjustments, and relative positioning on both pay and performance.
- **Hybrid LTIs:** while hybrid schemes are permitted within the Principles, IA members remain cautious about their introduction, which should only be for companies with a large US footprint and those who compete for global talent. Justification for their use should be company-specific and clearly demonstrate alignment with strategy and long-term performance.
- **Bonus deferral and shareholding:** the Principles continue to permit a reduction in bonus deferral requirements for executives with significant shareholdings, but complete removal of bonus deferral is not supported, given its role in applying malus and clawback.
- **Consultation process:** to facilitate shareholder engagement, the IA will introduce a member contact directory and reintroduce collective investor meetings at the request of companies or investors.
- **Non-Executive Director remuneration:** the IA reiterates its encouragement for NEDs to own shares and now accepts that a portion of fees may be delivered in shares.

Looking ahead, the IA highlights the continued importance of linking pay and performance, as well as demonstrating how remuneration decisions reflect the experience of wider stakeholders in the context of ongoing cost-of-living pressures.

Please do not hesitate to contact any of the Ellason team should you wish to discuss this issue further.