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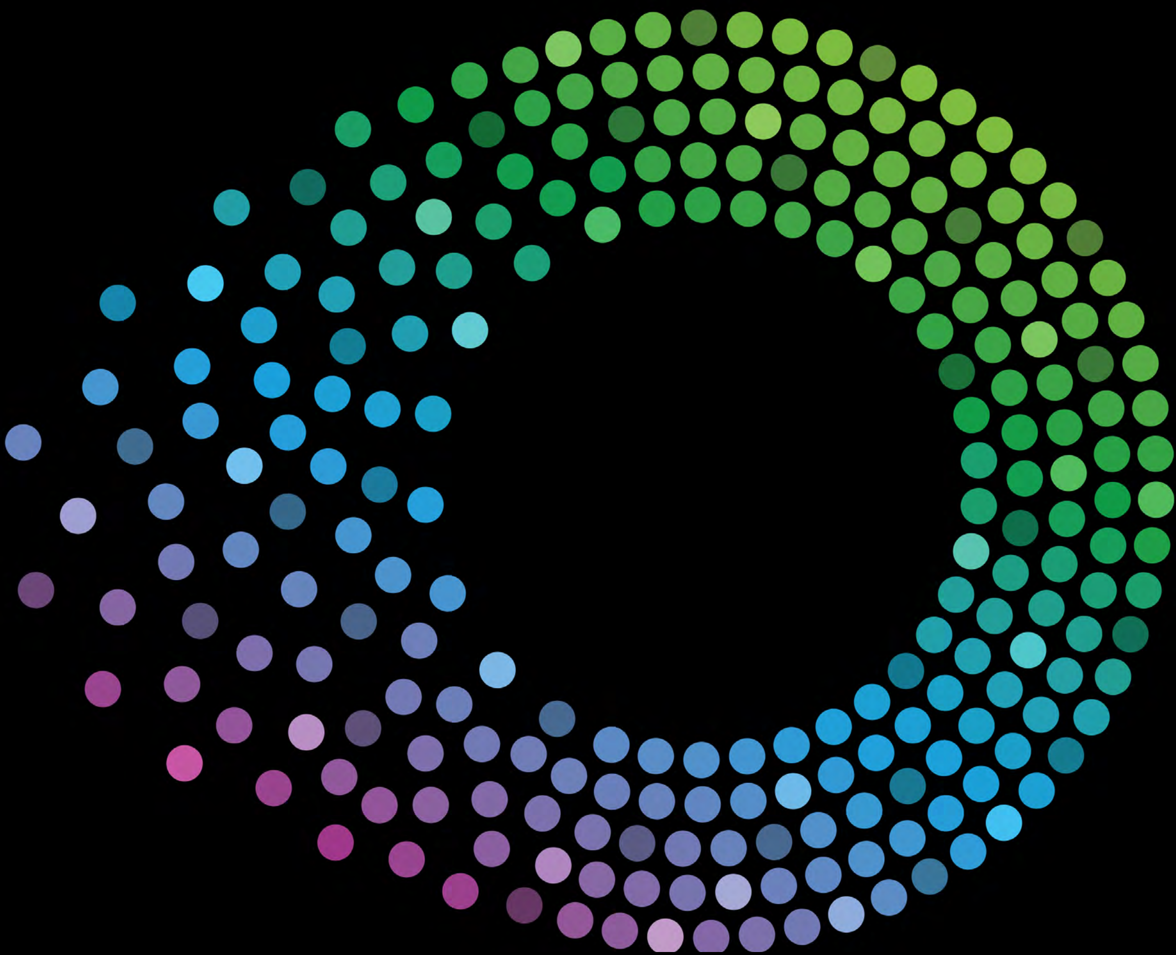


Remuneration in Nordic Large-Cap Companies

Benchmarking executive management and board remuneration

2020 - 2021

Contents

Introduction

A rapidly changing environment underpinned by exponential advances in technology as well as demographic and economic shifts have impacted the way we view work satisfaction and career expectations. Boards and executives need to better engage with their employees to truly understand their motivations and expectations at work today. The primary contributing factor was obviously the COVID-19 pandemic. On the upside, we have seen organisations and workers rise to the occasion - unveiling human potential at its best. Organisations have been adopting remote or virtual work, seeking out new ways to collaborate, or leveraging the power of technology in new and different ways. However, we have also seen unintended consequences including deterioration of employee well-being and increasing rates of burnout.

So, what will the future of reward look like in practice? Traditional reward programmes are typically designed to achieve a simple goal of paying market value or drive specific performance ('table stakes') and are received by employees periodically through pay cheques and bonuses. With the continual blurring of lines between work and home life, the future reward experience needs to be embedded in all aspects of the daily life of the workforce and to emphasise the wants and needs of employees through use of both market and motivator rewards. Organisations will continue to embed 'table stakes' at the heart of any reward strategy to provide the fundamental, baseline required to attract and retain talent by meeting employee expectations, market and social norms. In addition, organisations will increasingly use motivator rewards to provide an enhanced experience, act as a differentiator in the demand for talent, and to align employee, organisational and executive goals.

So, how will the future of executive remuneration be impacted by these human capital and reward trends for the wider workforce?

In 2021, we saw executive remuneration practices returning to a more normal recurring practice and positive development impacted by the positive shareholder experience for investors holding shares in the Nordic Large-Cap companies, including increased or high levels of long-term incentives granted. We also saw scrutiny of company remuneration practices for 2021 reach an all-time high, with shareholders, proxy advisors, the media, and other external and internal stakeholders all weighing in.

This annual report does the important work of providing a benchmark of remuneration data. We will look at the developments in executive remuneration and provide an overview of the executive and board remuneration practices for the Nordic Large-Cap companies.

All Nordic Large-Cap companies are required to publish remuneration reports for 2021 in accordance with the Shareholder Rights Directive (SRDII) as implemented into the local Companies Acts for all listed companies. Our report provides an updated overview of the regulatory and reporting requirements of SRDII in the Nordics. We describe these requirements and updated guidelines and provide our benchmarking survey insights on remuneration disclosure practices for 2021. While there are a wide range of practices, and variation in the quality of remuneration disclosures, we note that Nordic Large-Cap companies, overall, have increased the level of disclosure in their remuneration reports. Additionally, almost all remuneration reports were adopted at the annual general meetings (AGMs). However, there is still room for improvement many Large-Cap companies can still further enhance their 'pay for performance' disclosures.

Remuneration committees will have their work cut out for them in 2022 in their annual cycles. The work includes reviewing existing remuneration practices against market practices, preparing scenarios for grants of variable executive pay, aligning with the shareholder experience, setting ESG metrics and targets in executive remuneration, and developing responses to shareholder feedback.

In 2022, remuneration committees will also need to balance their responses carefully to more complex and broader questions and dilemmas related to executive remuneration, engage more closely with the wider workforce and their investors, and provide clear communication and argumentation in the remuneration reports.

Deloitte continues to advise our clients as they build more resilient organisations addressing human capital and reward trends and developing executive remuneration design and implementation while ensuring transparent policies and reporting to shareholders and other key stakeholders.

Deloitte
September 2022

Content overview

This report gives an overview of and insight into remuneration of executive directors and boards of listed companies within the Nasdaq Nordic Large-Cap Index or equivalent index with listed companies with a market cap above EUR 1 billion. At the end of March 2022, these companies comprised 208 companies, the names of which are listed in the appendix of this report. These companies represent some of the largest Nordic companies, or companies with a large presence in the Nordics and which are listed in the Nordics, from a wide range of industries, including consumer, energy, life sciences and financial services.

The analysis is based strictly on publicly available information obtained from annual reports, remuneration reports, company websites, press releases, general meeting notes, remuneration policies, etc. Not all companies report their remuneration with the same level of detail, the same format or over all comparative years.

In 2021, all Nordic Large-Cap companies published a remuneration report as required by the local companies acts for all listed companies for the first or the second reporting year. Reporting practice for long-term incentive plan (LTI) numbers in the remuneration reports are typically based on ‘granted pay’ in Denmark and Norway and more based on ‘vested pay’ in Sweden and Finland (paid amount). Therefore, our 2021 and 2020 data analysis does not provide 100% comparability across the companies and countries for LTI, also as some companies still report ‘expensed pay’. We have used company reported numbers, adjusted for reversals of ‘expensed pay’ and set reversals to zero. We have also annualised CEO pay (either by adding previous and new CEO pay to get to 12 months’ pay or simply annualising new CEO pay to 12 months).

Disclaimer
The aim of this report is to provide an overview of executive remuneration and the use of LTI in Nordic Large-Cap companies. There may be very good reasons for a particular company to lie inside and outside of benchmarked ranges. This could be due to differences in company size, industry, market volatility or other company-specific factors. When using our report, we recommend that you consult your advisers on the interpretation of the data and their relevance to your circumstances.

This report does not constitute the provision of advice or service to any reader of this report, and hence Deloitte may not be named in a company’s public documentation as having provided material assistance to the remuneration committee based solely on the use of the information provided in this report.

Key findings for the Nordics

Deloitte's first Nordic executive remuneration benchmark report for 2021 shows that – while transparency has improved compared to 2020 - there will be a continued need to focus on shareholder aligned incentive pay for executives based on 'pay for performance', including setting ESG metrics and targets in executive remuneration.

1. Variable vs fixed	Variable remuneration as a share of total pay for CEOs:	• Denmark: 43% (2020: 37%) • Finland: 45% (2020: 42%) • Norway: 34% (2020: 26%) • Sweden: 30% (2020: 26%)
	Variable remuneration as a share of total pay for all executive directors:	• Denmark: 40% (2020: 34%) • Finland: 38% (2020: 42%) • Norway: 34% (2020: 33%) • Sweden: 27% (2020: 22%)

2. Base salaries	Median annual base salaries for CEOs:	• Denmark: EUR 1.1m (2020: EUR 1.0m) • Finland: EUR 0.7m (2020: EUR 0.7m) • Norway: EUR 0.6m (2020: EUR 0.5m) • Sweden: EUR 0.8m (2020: EUR 0.8m)
	Median annual base salary changes for CEOs for 2021:	• Denmark: 5.6% • Finland: 1.4% • Norway: 5.6% • Sweden: 5.8%
	Median annual base salaries for CFOs:	• Denmark: EUR 0.66m (2020: EUR 0.66m) • Finland: Insufficient public data points • Norway: EUR 0.3m (2020: EUR 0.3m) • Sweden: EUR 0.5m (2020: EUR 0.5m)
	Median annual base salary changes for CFOs for 2021:	• Denmark: 2.2% • Finland: Insufficient public data points • Norway: 7.5% • Sweden: 5.1%

3. Annual bonus

Median bonus as percentage of base salary for CEOs:	↑	• Denmark: 60% (2020: 50%) • Finland: 57% (2020: 43%) • Norway: 44% (2020: 40%) • Sweden: 70% (2020: 49%)
Median bonus as percentage of base salary for all executive directors:	↑	• Denmark: 51% (2020: 50%) • Finland: Insufficient public data points • Norway: 38% (2020: 31%) • Sweden: 54% (2020: 38%)
Maximum bonus allocations (average) as a percentage of base salary for CEOs:	↑	• Denmark: 76% (2020: 74%) • Finland: 110% • Norway: 65% • Sweden: 81%
Maximum bonus allocations (average) as a percentage of base salary for other executive directors for 2021:	↑	• Denmark: 65% • Finland: Insufficient public data points • Norway: 54% • Sweden: 80%

4. Long-term incentives

Median LTI allocation as percentage of base salary for CEOs:	↑	• Denmark: 63% (2020: 48%) • Finland: 131% (2020: 86%) - significantly higher than other Nordic countries also due to 'vested pay'-reporting • Norway: 44% (2020: 33%) • Sweden: 48% (2020: 49%)
Median LTI allocation as percentage of base salary for all executive directors:	↑	• Denmark: 58% (2020: 39%) • Finland: Insufficient public data points • Norway: 36% (2020: 41%) • Sweden: 26% (2020: 25%)
Performance and restricted share units as well as options and warrants are popular forms of long-term share-based payment		
Vesting criteria disclosure have improved in 2021, however still many Nordic Large-Cap companies can still work further on 'pay for performance' disclosures		

5. CEO pay	Median total CEO pay:	↑	• Denmark: EUR 2.5m (2020: EUR 2.2m) • Finland: EUR 2.1m (2020: EUR 1.8m) • Norway: EUR 1.4m (2020: EUR 1.0m) • Sweden: EUR 1.8m (2020: EUR 1.6m)

6. Board pay	Median board member base pay:	↑	• Denmark: EUR 54k (2020: EUR 50k) • Finland: EUR 52k (2020: EUR 52k) • Norway: EUR 36k (2020: EUR 35k) • Sweden: EUR 48k (EUR 45k)
	Median total chairperson pay:	↑	• Denmark: EUR 189k (2020: EUR 181k) • Finland: EUR 117k (2020: EUR 106k) • Norway: EUR 70k (2020: EUR 69k) • Sweden: EUR 108k (EUR 100k)
	Median chairperson pay multiple:	↑	• Denmark: 3.0x • Finland: 2.0x • Norway: 1.9x • Sweden: 2.5x

Please note that we have also analysed three Icelandic Large-Cap companies but, given the limited number of observations, we have not developed specific analyses in this report.

Please also note that some of the figures shown in this report for Denmark can differ from the results shown in our Danish Large Cap report published in June 2022 which is largely driven by foreign exchange effects.

Key trends, tendencies, practices, and regulation in the Nordics

The Nordic market environment

Nordic management remuneration practices vary more widely across companies and across countries. This is evident from the variety of bonus and long-term incentive approaches, as well as in other remuneration policy and remuneration reporting issues. This company-by-company approach is however now aligned with the Shareholder Rights Directive (SRDII) requirements and developing new leading practices.

Our 2021 benchmark study has shown a trend of awarding executives an increasing share of their overall pay package as variable remuneration in the form of share-based payments and short-term bonuses in Denmark, Sweden and Norway, while it decreased in Finland from 2020 to 2021, however Finland still has a high relative level of variable pay for executives of total remuneration compared to the other Nordic countries.

While there is a wide range of practice and quality of remuneration disclosures, we note that the Nordic Large-Cap companies have increased their level of disclosure in their 2021 remuneration reports. All remuneration reports were adopted at the AGMs, except for one in Denmark. Our Nordic country surveys, however, still shows that the Nordic Large-Cap companies can still work further on more transparent disclosures (e.g. on 'pay for performance', financial and non-financial metrics and targets, including ESG performance going forward).

The European Commission's draft guidance encourages companies to adopt a common method which reflects the market value of shares or share options both at the time they are awarded ('granted pay') and at the time of vesting ('vested pay'). As a country example, the Danish Business Authority recommends that companies disclose 'granted pay' awarded in the current year, described as the value of share-based remuneration in accordance with the principles for statement of the fair value in IFRS 2 for the total remuneration received. It is further specified that the remuneration for the financial year as stated in the remuneration report generally differs from the accounting expense ('expensed pay'), which is stated and accrued according to IFRS 2 over the vesting period in the consolidated financial statements.

A leading practice in Denmark is to report the market value of 'granted pay' in the 'single' figure table and then add supplementary disclosures for 'expensed pay' and 'vested pay'.
The Nordic-listed companies have implemented SRDII in the form of the requirements in the respective local companies acts for their remuneration report. These disclosure requirements can be summarised as follows:

- For each individual director, total remuneration from the company group split out by component
- Relative proportion of fixed and variable remuneration
- Explanation of how total remuneration complies with the policy, including how it contributes to the company's long-term performance
- Information on how the performance criteria were applied
- Annual change in remuneration over six years for each director compared to company performance and average employee remuneration (on FTE basis), excluding directors
- Numbers of shares, granted or awarded share options and the essential conditions for the vesting and exercise of these rights, including the price at the grant date (and exercise price for options), the exercise date and any change thereof

"Our role at Deloitte is to provide independent advice to the remuneration committees.
In order to do so, we work closely with management to ensure that we fully understand the overall strategy, the business and commercial circumstances"

Martin Faarborg
Remuneration Committee Advisory Leader in Deloitte Denmark

- Use of any clawbacks and any derogations from the remuneration policy.

Boards should plan whether the 2022 remuneration report should have a report from the company's independent auditors, either as a compliance check or an audit of the numbers in the remuneration reports.

Corporate governance and executive remuneration

Investors and other key stakeholders are calling for more overall transparency from companies and their boards on corporate governance matters. We see this trend globally, in Europe and in the Nordics. From a Nordic perspective, we expect Nordic-listed companies to provide more and more detailed communication in the coming years to a broader set of stakeholders on areas such as the board's duty to promote the long-term success of the company, climate and sustainability, and disclosures related to the results and outcomes of board evaluations.

In various markets around the world, board oversight, transparency and control of executive remuneration have often been used as a barometer for corporate governance. This trend has continued to spread from the United Kingdom (UK), over to the European Union (EU) and thereby into the Nordics. Therefore, in 2022 and beyond, we expect to see an increased focus on executive remuneration from Nordic policy makers, regulators, shareholders, proxy advisors and the media.

The Nordic implementation of the Shareholder Rights Directive (SRDII) has brought about sweeping changes to Nordic remuneration and disclosure practices. The regulation requires organisations to hold a binding vote at their annual general meeting (AGM) on their remuneration policies at least every four years, or more often if boards want to make significant changes to the policies. In addition, organisations are required to hold an annual advisory vote on how their remuneration policies have been implemented, i.e. on their annual remuneration report. Other markets, like the UK, have had a binding vote on organisations' remuneration policies since 2013, and have seen a significant increase in focus on executive remuneration from investors. We expect a similar increase in focus in the Nordic market, and prominent proxy advisors will have more focus on executive remuneration for Nordic-listed companies.

Nordic executive remuneration practices will continue to develop over the coming years. 2020 marked the first year that Danish, Finnish, and Swedish-listed companies were required to prepare their remuneration policies under SRDII. Danish, Finnish, and Swedish-listed companies also prepared their remuneration reports in accordance with SRDII for the 2020 reporting season (published in 2021 along with the 2020 annual report or with the notice for the AGM in 2021). Norwegian-listed companies were generally granted one additional year for implementation. Given the scope and complexity of SRDII, considerable effort was required of Nordic listed companies to comply with these significant hard law requirements for the first time, and now for the second time for 2021 for the Danish, Finnish, and Swedish-listed companies.

Discussions and debate on stakeholder capitalism have increased significantly during the last couple of years, focusing on the need to consider a broader group of stakeholders and societal impact rather than strictly on financial measures and benefits for shareholders only. Developing and executing on integrated strategies covering a broad range of environmental, social, and governance (ESG) factors will be a priority for all organisations in the years to come, starting with actions related to addressing climate change.

Accordingly, in September 2020, the World Economic Forum (WEF) and Big Four accounting firms published an international framework for ESG metrics and disclosures[1]. The framework includes a universal set of metrics and recommended disclosures intended to lead to a more comprehensive global corporate reporting system. The framework divides disclosures into four pillars — principles of governance, planet, people, and prosperity — that serve as the foundation for ESG reporting standards.

[1] World Economic Forum, 'Measuring Stakeholder Capitalism: Towards Common Metrics and Consistent Reporting of Sustainable Value Creation', 23 September 2020

[2] EC publishes proposed Corporate Sustainability Reporting Directive by Deloitte, 21 April 2021

On 21 April 2021, the European Commission (EC) published a significant proposal for a Corporate Sustainability Reporting Directive (CSRD)[2].
The objective of the proposed CSRD is to improve sustainability reporting to better exploit the potential of the European single market and to contribute to the transition to a fully sustainable and inclusive economic and financial system in line with the European Green Deal and the UN Sustainable Development Goals.

On 29 April 2022, European Financial Reporting Advisory Group (EFRAG) published the first set of 13 draft European Sustainability Reporting Standards for public consultation before 8 August 2022[3]. Statutory ESG reporting is currently expected to be required for the 2024 reporting season with publication in 2025 based on European Sustainability Reporting Standards (ESRS) for the largest listed companies in the EU.

On 21 June 2021, the European Parliament and the European Council agreed politically on the scope and timing of the new CSRD. The directive enters into force in three phases, with the largest listed companies and financial institutions (with above 500 employees) being included as the first phase from and including the financial year beginning on 1 January 2024[4].

On 31 March 2022, the International Sustainability Standards Board (ISSB) published two exposure drafts that outline general sustainability, and climate-related disclosure requirements[5]. These proposals require companies to report comprehensively on climate risks and opportunities, while providing a framework to report on other significant climate and sustainability issues. We are seeing rapid movement to introducing mandatory climate disclosure, with global regulators and policymakers responding to the urgent need to address climate change and other sustainability issues. Standards are critical in driving high-quality disclosures and accelerating preparedness for enhanced regulatory disclosure requirements.
The ISSB's proposals are intended to facilitate creation of a global baseline of sustainability information for capital markets that can be supplemented at the jurisdictional level to meet public policy priorities. This consistent baseline will help to enhance transparency into a company's impact on people, the planet, and prosperity.

On 23 February 2022, the EU Commission adopted its delayed proposal for a directive on new corporate and director due diligence obligations[6]. The proposal aims to ensure that companies conduct human rights and environmental due diligence by identifying, preventing, mitigating, monitoring, and communicating on potential or actual adverse impacts, as well as bringing actual adverse impacts to an end where possible or taking action to neutralise or minimise impacts, including through paying damages. The proposal also includes legal requirements for a plan for transition to a sustainable economy, companies' duties to set up and oversee the due diligence process, and directors' duties to take sustainability into account in their decisions. The plan should be duly considered when setting directors' variable remuneration if variable remuneration is linked to the contribution of a director to the company's business strategy and long-term interests and sustainability. The proposed directive is being discussed and needs to be adopted by both the EU Council and the European Parliament (EP). Elements of the proposed directive contradict the widely held view in Denmark and the other Nordic countries.
A new proposal from the EU Commission[7] has been announced in view of the Company Law Working Party meeting of 5-6 September 2022, including several changes or deletions to the original proposal. Some initial discussions have started at the Council but the European Parliament Committees have yet to formally start discussions. Negotiations are expected to continue into the Swedish EU Presidency period in first half of 2023.

On 4 March 2022, the EU Council and Parliament reached a common position on the EU Commission's 2012 'Women on boards' proposal for a directive on gender balance among non-executive directors (NEDs)

[3] EFRAG launches consultation on first set of European Sustainability Reporting Standards by Deloitte, 17 May 2022
[4] New rules on corporate sustainability reporting: provisional political agreement between the Council and the European Parliament, by the Council of the European Union, 21 June 2022
[5] ISSB proposes global baseline of sustainability disclosure standards for capital markets by Deloitte, 1 April 2022
[6] Proposal for a Directive on corporate sustainability due diligence, and related press release from the European Commission – 23 February 2022
[7] Proposal for a directive of the European Parliament and of the Council on Corporate Sustainability Due Diligence and amending Directive (EU) 2019/1937 - Presidency text from 25 July 2022

of companies listed on stock exchanges[8]. The EU Council will now need to reach an agreement with the European Parliament (EP), which adopted its position in 2013, for this to become law. On 14 March 2022, the Employment and Social Affairs Ministers agreed to a recommendation for a possible EU Directive on a new gender balance on the boards of listed companies[9]. The proposal recommends that listed companies must take steps by 2027 to ensure that at least 40% of the board seats (i.e., non-executive directors) must be occupied by the under-represented gender, or for all board and executive seats (including both non-executive and executive directors), the goal would be 33%. A proposed directive needs to be adopted by both the EU Council and the European Parliament (EP).

On 19 April 2022, the Danish Parliament has approved amendments to the Danish Companies Act, the Danish Financial Statements Act and various other acts[10]. The purpose is, among other things, to promote a more equal gender balance in the companies' senior management bodies and in the other levels of management. The Amendment Act requires that the top and central management body must set a new and higher target figure for the proportion of the under-represented gender in all relevant management levels when the previously set target figure has been reached or set a new target figure when the time horizon for the originally expected fulfilment has expired.

In the EU and the Nordics, listed companies will need to develop and implement ESG metrics (including diversity, equity, and inclusion) and targets into new short- and/or long-term incentive programmes. All these factors will need to be considered when developing new remuneration strategies, new business plans and updated guidance for the short and medium term — all of which serve as the basis for setting performance target levels.

Implementation of the new recommendations on Corporate Governance in Denmark

During 2021, boards of listed companies in Denmark worked on addressing and reporting against the new recommendations from December 2020, from the Committee on Corporate Governance in Denmark, including extended sustainability policy, external tax policy, articulation of company purpose, ensuring and promoting a good culture and good values in the company, policy on diversity in the company, and extended focus on the importance of evaluation of the board and executive management, and the value of involvement of external support.

The Committee also recommends that boards prepare scenarios for grants of variable executive pay. It is important that the board strikes the right balance between competitive remuneration and the company's long-term interests. The Committee recommends that remuneration of the board and the executive management, and other terms of employment, are both competitive and compatible with the company's long-term shareholder interests.

In practice, the revised recommendation makes it mandatory for the board to assess management's remuneration.

Stating compliance with the recommendation may be accompanied by a comment explaining the reason why the company complies with the recommendation. This could be done, for example, by using analyses of remuneration in the company's peer group based on criteria such as the size of the company's market capitalisation, revenue, number of employees and total shareholders' return (performance).

To comply with the Shareholders Rights Directive, it is required by law that the remuneration policy include an "indication of the relative share of the components", as referred to in section 139a of the Danish Companies Act. In practice, this has often been implemented as a form of a cap or upper limit relative to the respective member's base remuneration.

One of the new recommendations suggests that a cap be set for the variable part of the remuneration and that this be determined at the grant date. It is noted that the recommendation does not contain any requirements for the valuation method.

[8] EU Council and Parliament common position on a directive on improving the gender balance among directors of companies listed on stock exchanges, and related measures - General approach - 4 March 2022

[9] Gender balance on corporate boards from the EU Council - 14 March 2022 and 7 June 2022

[10] The Amendment Act as adopted by the Danish Parliament on 19 April 2022 and newsletter by Deloitte, 28 April 2022

Often, the Black-Scholes model will be used to calculate the fair value of options granted, and Monte Carlo simulation models to calculate the fair value of matching shares, restricted shares, and performance shares granted.

Another of the new recommendations addresses the possibility of reclaiming variable remuneration (claw-back) is now a separate recommendation – and it has been extended to cover not only paid, but also granted or vested remuneration. Furthermore, it is a requirement under the recommendation that the remuneration policy contain information on whether the company is using claw-back.

In addition, it is recommended to ensure transparency about the potential value at the time of exercise under pessimistic, expected, and optimistic scenarios.

The recommendation does not mean that companies should set an upper limit on the exercise value of share-based remuneration, but merely create transparency for the board about the potential exercise values. While not required, this may very well be done by including information on this in the remuneration report.

With the new recommendation, the board will have to deal with the three scenarios. There is no requirement to use a certain method or model for disclosing developments in the economic assumptions from the grant date to the exercise date. There is also no requirement for the economic assumptions to be the same as the vesting criteria (e.g. threshold, target and maximum).

The recommendation reflects an increasing focus on executive remuneration and a desire for more transparency about variable remuneration, especially share programmes and their potential value. In particular, the introduction of the remuneration report requirement is likely to lead to increased focus by institutional investors on executive remuneration, the composition of incentive programmes and the link between the components chosen and the company's performance, strategy, and objective, whether the selected KPIs (including, for example, on climate and sustainability) support this sufficiently.

Several companies will already have set an upper limit on variable remuneration at the grant date in their current remuneration policy or in the terms of each incentive programme. It is enough that the limit is set out in the terms of each incentive programme.

The board should also consider whether the recommendation on transparency about the potential value at the exercise date should be written into the future remuneration policy as a requirement for future grants, or whether such value could very well be disclosed in the remuneration report.

Typical questions that the board should consider and discuss would be:

Peer group comparison
In determining executive remuneration packages, the board should, where appropriate, consider both national and international comparable positions. The board may with advantage also disclose which peer group the company compares itself to.

- Who is our peer group of comparable companies in respect of executive pay?

- Who are we going to compete with for talent?

- Is our management remuneration competitive?

Striking the right balance
It is important that the board strikes the right balance between avoiding excessive remuneration packages and at the same time being able to attract the right skills. The board should justify this balance in the remuneration report.

- Is executive management's remuneration sufficiently interesting to attract the right skills to the company now and in the long term?

Transparency about the potential value
In addition to the cap for the variable portion of the remuneration at award. It is recommended to ensure transparency about the potential value at the time of exercise under pessimistic, expected, and optimistic scenarios. Will remuneration continue to be properly composed in all three scenarios – both from the perspective of the company, management, and the relevant stakeholders?

Increased focus on transparency regarding variable remuneration

The previous recommendation reflects an increasing focus on executive remuneration and a desire for more transparency about variable remuneration, especially share programmes and their potential value.

- How should we handle the expected increased focus on executive pay, including composition, size and KPIs, from relevant stakeholders?

2022 Proxy Season Topics

In 2022, remuneration committees will need to balance their responses carefully to more complex and broader questions and dilemmas related to executive remuneration and engage more closely with the wider workforce and their investors and provide clear communication and argumentation in the remuneration reports.

We have found that these proxy season topics are key for remuneration committees to consider in 2022:

Inflation, cost of living and workforce issues

- How do you expect that the global increase in inflation and the cost of living will impact executive pay for 2022 and beyond?

- How do good boards best oversee and support the financial wellbeing of their broader workforce (for examples employee share ownership) during these difficult times?

Geopolitical environment

- How do you expect that the global increase in inflation and the cost of living will impact executive pay for 2022 and beyond?

- How do good boards best oversee and support the financial wellbeing of their broader workforce (for examples employee share ownership) during these difficult times?

ESG, climate and biodiversity

- How seriously are your investors focusing on 'say on climate' voting?

- What kinds of investor engagement are you seeing in the climate area?

- How are you integrating company purpose, ESG and value creation into executive remuneration?

Future of work – Diversity, inclusion, and wellbeing

- How are you working with the shifting expectations of employees and the importance of culture in creating an engaged and productive workforce?

- How are you addressing that the workforce is demanding companies to have a view on social issues, and are actively addressing issues such as mental health, racial equality?

- How do you foresee that the future of hybrid working will impact organisations going forward?

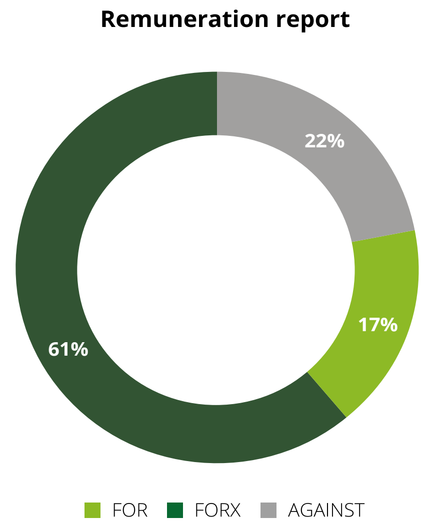
Global talent market

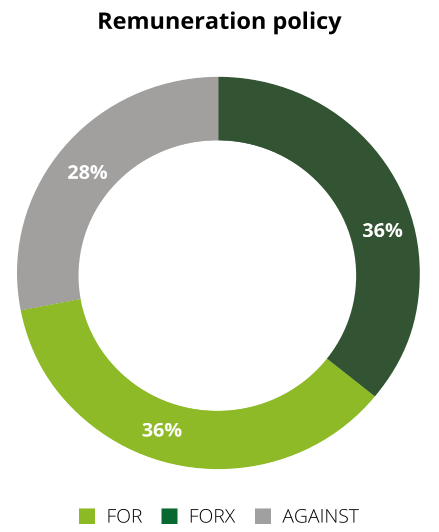
- What do you make of the divergence of governance standards and voting guidelines – particularly around executive pay? Some investors have guidelines that do not support large awards in the UK or Europe for example, whereas they may support these in the US. Do you see this leading to challenges for you in the demand for global talent?

2022 AGM season for Nordic Large-Cap companies

The 2022 AGM season marked the second time the Danish, Finnish, and Swedish Large-Cap companies were required to prepare their remuneration reports in accordance with the Shareholder Rights Directive (SRDII) and its implementation within the local companies' act. It was the first AGM season for the Norwegian Large-Cap companies to have an advisory vote casted on their SRDII remuneration reports.

As a guide to how these proposals were viewed by shareholders, we reviewed voting recommendations by the Institutional Shareholder Services (ISS) on published remuneration policies and remuneration reports across largest companies from Sweden, Norway, Denmark, Finland, and Iceland, for annual general meetings held between November 2021 and June 2022.





Of the 81 AGM resolutions for remuneration reports tabled and analysed, 18 companies had significant issues identified by ISS, which resulted in a vote 'Against' recommendation. A further 49 companies received support but not without comments ('ForX') from ISS. The remaining 14 companies received a vote 'For' recommendation with no further comments.

During the 2022 AGM season, 39 resolutions to approve or amend remuneration policies were put to a shareholder vote. Of these, 11 received a recommendation of vote 'Against', 14 received support but not without comments, and 14 companies received a vote 'For' recommendation with no further comments.

It is worth noting that the proportion of policies that the ISS raised concerns for increased significantly compared to the 2021 AGM season. This year for Denmark as an example, significant issues were flagged for c.30% of policies, compared with c.22% last year.

Most of the remuneration resolutions received majority support and were adopted. 12 companies received a vote below 90% for the remuneration report. It is worth noting that one Danish Large-Cap company received a vote of 47.3%, where ISS had raised concerns regarding in-flight changes to awards and poor disclosure of ex-post STIP targets.

Additionally, with more than 80% of companies having one or more area of their report or policy attracting comments from ISS, this could be an indication of increasing shareholder scrutiny on executive remuneration in Denmark and the Nordic countries.

For a number of companies, ISS did raise issues but nonetheless recommended a vote 'For', noting that the report or policy "did not contravene good European executive remuneration practice".

The most common issues raised by ISS were as follows:

Lack of disclosure: The most common issue raised was a lack of disclosure, in particular the disclosure of targets for variable pay paid in current financial year.

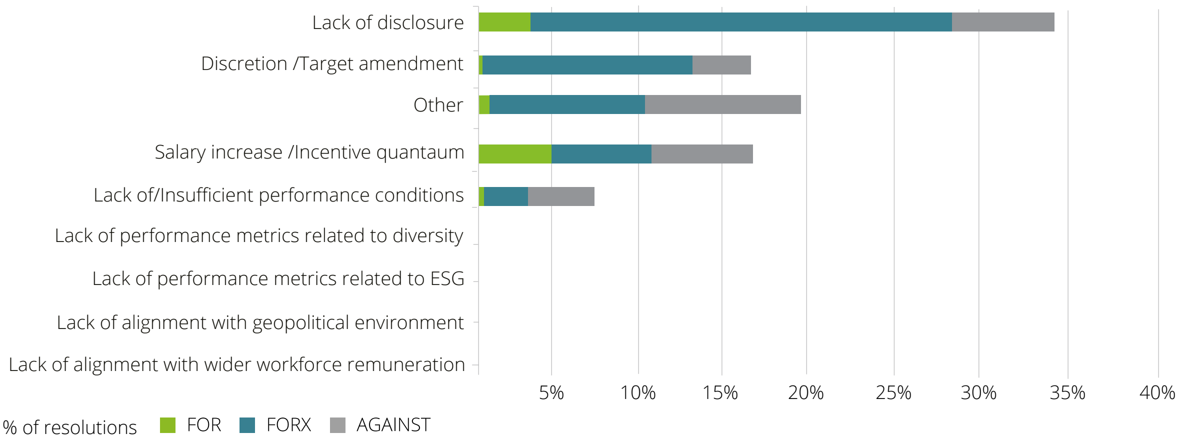
Quantum: The second most common issues raised were salary increases, incentive outturns, or other payments that were considered excessive or not aligned with company's performance.

Discretionary payments: Where the policy allowed for discretionary bonuses or payments (in some cases upon recruitment) to be awarded to executives.

Other: Other issues raised by ISS reports included short performance periods, backward-looking performance period, and lack of details relating to treatment of new joiners.

Ahead of the 2022 AGM season, there was an expectation that ESG would become a more prominent issue with proxy advisors and shareholders. As is evident from the graph below, lack of disclosure was the most common issue in the 2022 AGM season but did not necessarily result in a vote 'Against' recommendation, whilst lack of or insufficient performance conditions was less prevalent but almost always resulted in a vote 'Against' recommendation.

Nordic remuneration voting issues - 2022 AGM season (as of June 2022)



We would note that, in addition to the specific issues summarised, there is a general pattern of still highlighting lack of disclosure even though it has improved compared to last year. We will continue to monitor this space in 2022 and the coming years.

Remuneration reports for 2021 and beyond

Draft guidelines from the European Commission

In March 2019, the European Commission issued its draft guidelines[11] on standardised reporting for company remuneration reports. The guidelines are 18 pages long and are intended to help companies disclose clear, understandable, comprehensive, and comparable information on directors' remuneration which meets the requirements of SRDII. It does not aim to provide a 'one-size-fits-all' approach, but rather seeks to address different practices of companies in member states.

The guidance is non-binding. Companies using it are also subject to the legal requirements of the applicable national laws transposing SRDII as well as the national corporate governance code.

Companies are required to produce a clear and understandable remuneration report, which will be subject to an advisory vote at the annual general meeting (AGM). The reports will need to include an overview of the remuneration awarded or due over the last financial year to individual directors. However, it is important to note that remuneration reports cannot contain, for any individuals, the specific categories of personal data referred to in the Data Protection Regulation and must, inter alia, be limited to what is necessary for the purposes of the reporting effort.

The same restrictions apply to personal data that relate to the individuals' family situation.

Implementation into local Nordic country laws

The disclosure requirements for the remuneration report under each of the local Nordic country laws can be summarised as follows:

- For each individual director, total remuneration from the company group split out by component
- Relative proportion of fixed and variable remuneration
- Explanation of how total remuneration complies with the policy, including how it contributes to the company's long-term performance
- Information on how the performance criteria were applied
- Annual change in remuneration over six years for each director compared to company performance and average employee remuneration (on FTE basis), excluding directors
- Numbers of shares, granted or awarded share options and the essential conditions for the vesting and exercise of these rights, including the price at the grant date (and exercise price for options), the exercise date and any change thereof

[11] European Commission draft Guidelines on the standardised presentation of the remuneration report

- Use of any clawbacks and any derogations from the remuneration policy.

Updated guideline from the Danish Business Authority
The Danish Business Authority (DBA) acknowledges that the new requirements in section 139b of the Danish Companies Act on how to prepare a remuneration report are complex. Thus, on 30 November 2021, the DBA published the third version of the 60 pages long guideline[12] with the aim to help companies by providing illustrative examples and descriptions of the requirements. The Danish listed companies implemented SRDII to meet the requirements in section 139b of the Danish Companies Act for their 2021 remuneration report for the second time. The most significant new clarification to the guideline was that the actual fulfilment of performance criteria could be described as under, at or above target for each performance criteria without disclosing the actual target.

The Commission's draft guidelines mentioned above encourage companies to adopt a common method which reflects the market value of shares or share options both at the time they are awarded ('granted pay') and at the time of vesting ('vested pay'). The Danish Business Authority recommends that companies disclose 'granted pay' awarded in the current year, described as the value of share-based remuneration in accordance with the principles for statement of the fair value in IFRS 2 for the total remuneration received. It is further specified that the remuneration for the financial year as stated in the remuneration report generally differs from the accounting expense ('expensed pay'), which is stated and accrued according to IFRS 2 over the vesting period in the consolidated financial statements. A leading practice in Denmark is to report the market value of 'granted pay' in the 'single' figure table and then add supplementary disclosures for 'expensed pay' and 'vested pay'.

The board is responsible for ensuring that the remuneration report is prepared and published in accordance with the provisions above. In addition, and as a country example, section 147 of the Danish Companies Act states that the company's external auditor must verify that the remuneration report contains the required information as required by section 139b of the Danish Companies Act. Guidance about the auditor's role is also included in the guideline.

At the AGM, an advisory vote is to be held on the latest financial year's remuneration report. The remuneration report for the following financial year must explain how the result of the AGM vote was considered. Should the remuneration report not be approved at the AGM, the board must take note of the result of the vote and this wmust be explained in the next remuneration report.

The Danish Business Authority recommends that the remuneration report is prepared as a separate document from the annual report. The remuneration report must be published on the company's website as soon as possible after the AGM and must remain publicly available for a period of ten years. It may be available for a longer period if it no longer contains personal data (notably the names of the executives in question).

The Danish implementation of SRDII also requires that the independent auditor ensures that the information requirements for the remuneration report are met. If the auditor finds that the requirements have not been fulfilled, the auditor must make a separate declaration to this effect at the AGM, unless the matter is stated in the auditor's report on the financial statements.

"The new requirements were significant, comprehensive and very detailed for 2021 mandatory reporting for the second time in Denmark. More and more Danish listed entities are realising that they should not underestimate the investors' views on the detailed level of transparency requested in the remuneration reports. At Deloitte, we recommended working with investors to align perspectives and views to plan ahead for the 2022 remuneration report."

Martin Faarborg
Remuneration Committee Advisory Leader in Deloitte Denmark

[12] Danish Business Authority, Vejledning om selskabslovens krav til børsnoterede selskabers vederlagspolitik og vederlagsrapport, November 2021

Structure of the remuneration report
Based on our current experience, the required elements of the remuneration report are summarised below (explanatory notes in the guidelines specify the relevant information to be provided):

1. Introduction (by the chairperson or remuneration committee) — remuneration reports should open with a brief 'highlights summary' of key developments in remuneration for the year, including a summary of the remuneration policy, overall company performance, key developments in board and executive management remuneration compared to the previous reported financial year. This will also include key changes to board and executive management composition, and changes to the remuneration policy or its application. The introduction may also include comments on how a shareholder vote or views have been considered. This section can also include the purpose of the remuneration committee, its main activities during the year, recommendations to the shareholders, etc.

2. Total remuneration of the board of directors as well as executive management — each individual directors' remuneration received during the year by pay component, in a specified table format, including relative proportions of fixed to variable remuneration. Where applicable, this should include any remuneration from an undertaking belonging to the same group, which should be expanded in a separate table. Total remuneration is also to include information from the previous year for comparison, as well as information on remuneration awarded or due to former directors in the financial year. This section could also include remuneration benchmarking for the board of directors and executive management, as well as the individual directors' shareholdings in the company, including share options held. It can also be disclosed elsewhere by the company.

3. Share-based remuneration — information regarding the share awards and share options granted during the financial year should be included in a specified table format. This also includes details of vesting, performance and holding periods. Valuation of awards is based on the market value of shares (or underlying value of shares under option) at the award date and at the vesting date. The European Commission draft guidance states that companies may also want to include the IFRS 2 value, either in narrative form or in an additional column. We recommend using the leading practice to ensure comparability in Denmark — disclosure of the market value at grant in the 'single' figure table, with additional disclosures added to supplement the granted pay number with expensed and vested pay. Where phantom awards are used, the table format should be applied where possible.

4. Right to reclaim ('malus and clawback') — information on the use of any reclaim of variable remuneration during the financial year in the form of 'malus' or 'clawback' shall be provided. 'Malus' means cases where the company reduces the value of all or part of deferred unvested variable remuneration based on 'ex post' risk adjustments, and 'claw-back' means cases where a director has to return to the company an amount of variable remuneration received or vested in the past). If applicable, the name of the director subject to the reclaim, the amount reclaimed, and the applicable remuneration year should be disclosed in the remuneration report.

5. Information on how the remuneration complies with the remuneration policy and how performance criteria were applied — information on how directors' remuneration complies with the policy, and how it contributes to the long-term performance and sustainability of the company, including how performance criteria were applied.

6. Variable remuneration and table format — a specified table format is provided that includes information on variable remuneration paid during the year, as well as a description of the financial and non-financial metrics used, the relevant weighting of each metric, the minimum and maximum target performance required and the corresponding award under each criteria and actual award outcomes.

7. Discretion — an explanation of any discretion used (upward or downward) should also be provided. We expect this to be an area of increased scrutiny.

8. Derogations and deviations from remuneration policy — information on any deviations from

the procedure for the implementation of the remuneration policy, and/or any derogations from the remuneration policy, including an explanation of the nature of the exceptional circumstances.

9. Comparative information on the change in remuneration and company performance over time — to be provided in a specified table format, over a six-year period (current year and five years of comparative figures). This includes the change in remuneration for each individual director and company performance (based on net profit or loss, but could also relate to other metrics), compared to average employee remuneration on a full-time equivalent basis. The Danish Business Authority encourages five years of comparative figures to be included and that this be built up over the coming years.

10. Information on the shareholder vote — to explain how the advisory vote on the previous remuneration report has been considered. We expect a section to be included in all remuneration reports namely developing 'Responses to shareholder feedback'.

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Below we outline our additional perspectives on preparing the remuneration report.

While all remuneration reports for 2021 for the Nordic Large-Cap companies are generally reported to follow the local Nordic country companies acts, we anticipate that most Nordic listed companies will align further with best practice from the UK, the Netherlands and Denmark, building on the existing trend for more detailed disclosure observed in existing remuneration policies and remuneration reports.

The listing below reflects some of the key considerations for the remuneration policy.

Remuneration, long-term interests, and sustainability. The quality of disclosure varies and will evolve in respect of this requirement over time. It may be sensible for companies to review the link between remuneration and other sections of the annual report, strategic plans against existing KPIs and how these cascades, and the clarity of the rationale for the metrics chosen. It is also important to remember that the policy should be drafted to give the necessary flexibility in any given year. However, ISS, the proxy advisor, did note discretionary payments as one of the most common concerns for the Nordic Large-Cap companies.

Variable pay. The SRDII requires the policy to "...set clear, comprehensive and varied criteria for the award of variable remuneration, including where appropriate, criteria relating to corporate social responsibility..." and to describe "the methods to be applied to determine to which extent the performance criteria have been fulfilled." Again, practice will continue to evolve with 'leading' companies placing pressure on others to improve their disclosure. Our view is that it is pragmatic for companies to assess their board's appetite for the level of detail in disclosures of variable pay metrics, to review the pros and cons of different disclosure approaches and the approach for evolving disclosure, as well as to assess competitive practices, and 'lessons learnt' in other regions.

Employee conditions. "The policy shall explain how pay and employment conditions of employees were taken into account when setting the policy." With employee representation on boards in the Nordics, there is scope for including any decisions involving employee representatives in policy disclosures. It is also helpful to clarify the overall principles that are applied to broader employee pay, specify any variations to the principles governing executive remuneration, and outline any all-employee incentive plans in operation or incentive components that apply to all employees. Post-COVID-19 and with increased inflation there has been an increased focus on employee conditions with respect to executive remuneration, and we expect this to remain a central focus point.

Deviation from the policy. The remuneration policy can be drafted to enable the company to deviate from the policy in exceptional circumstances. However, such deviation/derogation must be described in the policy itself. The policy must therefore include a description of the procedural conditions and specify the elements of the remuneration policy that may be deviated from. This issue had previously gained some shareholder interest in the Nordics, and we expect this will take on significant scrutiny going forward.

As such, companies are advised to review the existing intention and policy for exceptional/temporary remuneration, which vary widely in the Nordics from recruitment only deviations to much broader drafting. It is likely to be helpful to clarify and be prepared to disclose under what circumstances exceptional pay arrangements will apply, the time limit for such exceptions, and the quantum or caps applying. There will be heightened scrutiny around remuneration committee decisions, and the use of judgement and discretion to ensure that pay outcomes are aligned with workforce, investors, and wider stakeholder experience.

Recovery. The policy must specify details on the "possibility to reclaim variable remuneration". Clawback provisions are becoming increasingly common in the Nordics. Interestingly, SRDII does not specify between malus and clawback. It is important for companies to establish an approach to malus and clawback, including consideration of the circumstances in which malus/clawback would apply and the 'look back' period over which such provisions may apply. It is also key to ensure an alignment of malus and clawback provisions with executives' contracts and incentive plan rules.

Several of the key considerations for remuneration reporting practices are summarised below.

Disclosure of performance measures and targets adopted in variable pay plans. This is one aspect of disclosure that has evolved rapidly in Denmark over the last two years, with companies providing greater detail on the measures and, in some limited cases, the targets used in short- and long-term incentive plans. We have observed more companies providing ex ante disclosure of the measures (particularly where a market-based measure such as TSR is used) and we expect increasingly detailed ex post disclosure. The Danish Business Authority's guidance recognises that companies will have concerns around commercial sensitivity in disclosing their precise targets and suggests that ex post disclosure may be appropriate in "establishing the link between the remuneration of directors and the performance of the company."

Valuation method of share-based remuneration. The Danish Business Authority's guidance here recommends that companies disclose 'granted pay' awarded in the current year, described as the value of share-based remuneration in accordance with the principles for statement of the fair value in IFRS 2 for the total remuneration received. It is further specified that the remuneration for the financial year as stated in the remuneration report generally differs from the accounting expense ('expensed pay'), which is stated and accrued according to IFRS 2 over the vesting period in the consolidated financial statements.

Reporting on company performance relative to the annual change in remuneration for each disclosed director and the average remuneration for full-time equivalent employees. This requirement and the choice of performance measure adopted will require careful consideration given the need to adopt a consistent approach. 'Performance' can be regarded as any reasonable definition using market or non-market measures. Our experience in other regions suggests that this level of disclosure will play well in the media, with the messages extracted not necessarily in the company's interests. Careful wording is important here.

Components of board and executive remuneration: an overview of key developments in board and executive remuneration, and a table outlining the components of executive remuneration, including, for each component, the objective, remuneration level, performance measures, and current annual outcomes.

LTI targets: Graphical display of LTI targets for the current year allowing the reader to understand the financial and non-financial targets, KPIs, weightings, measures, achievement of targets, outcomes, and more.

Disclosure of LTI pay: A leading practice in Denmark and the Nordics is to report the market value of 'granted pay' in the 'single' figure table and then add supplementary disclosures for 'expensed pay' and 'vested pay'.

Benchmarking: Benchmarking of board and executive remuneration against International, European, Nordic and/or local peer companies of the same size and complexity, within the same industry/sector and with similar total shareholder return performance (TSR) is becoming increasingly important for boards**.**

Employee context: Comparison of company performance to executive remuneration: and to average total employee remuneration, over a five-year comparative period. Another practice is the use of a table detailing the components of executive pay and their alignment with the remuneration of the wider workforce (for example reporting on the development in CEO pay ratio over time).

Statements by the board of directors and the independent auditor: Statements in the remuneration report signed by both the whole board of directors and the independent auditor is widely common and good practice in Denmark and Norway less so in Finland and Sweden. In Sweden, the company's independent auditors provide a separate compliance opinion to the AGMs of the companies.

SRDII is a broad and ambitious piece of legislation. The quality of remuneration policies and remuneration reports have evolved rapidly in 2020 and 2021, and we anticipate this development to continue from year to year. We recommend that companies plan their anticipated remuneration report for 2022 to both comply with SRDII and the local companies acts, and to continue the work on developing meaningful narratives around 'pay for performance' outcomes.

Benchmarking survey of 2021 remuneration reports
While there are a wide range of practices, and variation in the quality of remuneration disclosures, we note that Nordic Large-Cap companies, overall, have increased the level of disclosure in their remuneration reports. Additionally, all remuneration reports (except one) were adopted at the annual general meetings (AGMs). However, there is still room for improvement.

Denmark
All Danish Large-Cap companies published a separate 2021 remuneration report on their website as required by the Danish Companies Act. **29%** of the Danish Large-Cap companies can still further enhance their 'pay for performance' disclosures (2020: 33%).

Of the 45 surveyed Danish companies, 96% disclosed 'granted pay' for their long-term incentive (LTI) plan in 'the single figure table' (linked to their remuneration policy) (2020: 80%).

Key insights from our benchmarking survey of 2021 remuneration reports for the Danish Large-Cap companies:

- 42% (2020: 35%) included a Chair/Committee introduction to the report
- 73% (2020: 63%) included comments on development in remuneration against company performance
- 40% (2020: 35%) included summary of activities of remuneration committee during the year in the report
- 62% (2020: 58%) included disclosure of board members' shareholdings in the report
- 64% (2020: 58%) included disclosure of executives' shareholdings in the report
- 80% (2020: 78%) included disclosure of performance criteria and applicable remuneration
- **27% (2020: 22%) included absolute or relative Total Shareholders Return** (TSR) performance criteria in their LTI programmes for 2021
- **40% (2020: 20%) disclosed specific ESG performance criteria** in executive remuneration for 2021
- 27% (2020: 13%) included KPIs for climate action as ESG performance criteria for executive remuneration in 2021
- 44% (2020: 18%) disclosed that ESG performance criteria will to be included in STI or LTI programmes for executive remuneration for 2022
- **16% (2020: 10%) included KPIs for climate action** as ESG performance criteria for STI or LTI programmes for executive remuneration in 2022
- 76% (2020: 65%) disclosed positively whether it had been relevant to apply malus and claw-back provisions (or not)
- 40% (2020: 18%) included five-year comparative information (all companies disclosed at least one-year comparatives)

- 84% (2020: 83%) included a statement by the board
- **20% did not disclose the outcome or result of the advisory vote** at the 2021 Annual General Meeting on their 2020 remuneration report
- 11 companies mentioned diversity and/or inclusion policies, initiatives, or targets in their 2021 remuneration report
- Seven companies commented in some detail on remuneration of the wider workforce of employees (for examples with a commentary on the CEO pay ratio) in their 2021 remuneration report
- Two companies mentioned succession planning as a key initiative in their 2021 remuneration report
- On average the Danish Large-Cap companies' remuneration reports are **16 pages.**

Finland

Our survey shows that **50%** of the Finnish Large-Cap companies can work further on more transparent disclosures (e.g. on 'pay for performance', financial and non-financial metrics and targets, including ESG performance going forward).

Of the 34 surveyed Finnish companies **94% disclosed 'vested pay'** (or paid amounts) for their long-term incentive plan in 'the single figure table'.

Key insights from our survey of 2021 remuneration reports for the Finnish Large-Cap companies:

- 53% included a Chair/Committee introduction to the report
- 100% included comments on development in remuneration against company performance
- **15% included summary of activities of remuneration committee during the year in the report**
- 12% included disclosure of board members' shareholdings in the report
- 24% included disclosure of executives' shareholdings in the report
- 94% included disclosure of performance criteria and applicable remuneration
- **38% included absolute or relative Total Shareholders Return (TSR) performance criteria in LTI programmes for 2021**
- **38% disclosed specific ESG performance criteria (or ESG rating) in executive remuneration for 2021**
- **21% included KPIs for climate action as performance criteria for executive remuneration in 2021**
- 56% disclosed that ESG performance criteria will to be included in STI or LTI programmes for executive remuneration for 2022
- 35% included KPIs for climate action as ESG performance criteria for STI or LTI programmes for executive remuneration in 2022
- 68% disclosed positively whether it had been relevant to apply malus and claw-back provisions (or not)
- **91% included four-year comparative information -** none included five-year comparative information (100% disclosed at least one-year comparatives)
- No companies included a statement by the board
- **62% did disclose the outcome or result of the advisory vote at 2021 Annual General Meeting on 2020 remuneration report**
- Five companies mentioned diversity and/or inclusion policies, initiatives, or targets in their 2021 remuneration report
- Three companies commented in some detail on remuneration of the wider workforce of employees (for examples with a commentary on the CEO pay ratio) in their 2021 remuneration report
- Two companies mentioned succession planning as a key initiative in their 2021 remuneration report

- On average the Finnish Large-Cap companies' remuneration reports are **7 pages.**

Norway
Our survey shows that **22%** of the Norwegian Large-Cap companies can work further on more transparent disclosures (e.g. on 'pay for performance', financial and non-financial metrics and targets, including ESG performance going forward).

43% of the 23 surveyed Norwegian companies do disclose 'granted pay' for their long-term incentive plan in 'the single figure table'.

Key insights from our survey of 2021 remuneration reports for the Norwegian Large-Cap companies:

- 74% included a Chair/Committee introduction to the report
- 87% included comments on development in remuneration against company performance
- **26% included summary of activities of remuneration committee during the year in the report**
- 78% included disclosure of board members' shareholdings in the report
- 78% included disclosure of executives' shareholdings in the report
- 78% included disclosure of performance criteria and applicable remuneration
- **48% included absolute or relative Total Shareholders Return (TSR) performance criteria in LTI programmes for 2021**
- **48% disclosed specific ESG performance criteria (or ESG rating) in executive remuneration for 2021**
- **48% included KPIs for climate actionas performance criteria for executive remuneration in 2021**
- 48% disclosed that ESG performance criteria will to be included in STI or LTI programmes for executive remuneration for 2022
- 48% included KPIs for climate action as ESG performance criteria for STI or LTI programmes for executive remuneration in 2022
- 52% disclosed positively whether it had been relevant to apply malus and claw-back provisions (or not)
- 61% included five-year comparative information (100% disclosed at least one-year comparatives)
- 39% included a statement by the board
- Six companies mentioned diversity and/or inclusion policies, initiatives, or targets in their 2021 remuneration report
- No companies commented in some detail on remuneration of the wider workforce of employees (for examples with a commentary on the CEO pay ratio) in their 2021 remuneration report
- Five companies mentioned succession planning as a key initiative in their 2021 remuneration report
- On average the Norwegian Large-Cap companies' remuneration reports are **16 pages.**

Sweden
Our survey shows that **80%** of the Swedish Large-Cap companies can work further on more transparent disclosures (e.g. on 'pay for performance', financial and non-financial metrics and targets, including ESG performance going forward).

Of the 45 surveyed Swedish companies **11% disclosed 'granted pay' and 18% disclosed 'vested pay'** for their long-term incentive plan in 'the single figure table'.

Key insights from our benchmarking survey of 2021 remuneration reports for the Swedish Large-Cap companies:

- 11% included a Chair/Committee introduction to the report
- 13% included comments on development in remuneration against company performance

- 11% included summary of activities of remuneration committee during the year in the report
- 9% included disclosure of board members' shareholdings in the report
- 11% included disclosure of executives’ shareholdings in the report
- 62% included disclosure of performance criteria and applicable remuneration
- 11% of the surveyed companies do disclose ‘granted pay’ for their long-term incentive plan in ‘the single figure table’
- **22% included absolute or relative Total Shareholders Return (TSR) performance criteria in LTI programmes for 2021**
- **18% disclosed specific ESG performance criteria in executive remuneration for 2021**
- **13% included KPIs for climate action as performance criteria for executive remuneration in 2021**
- 13% disclosed that ESG performance criteria will to be included in STI or LTI programmes for executive remuneration for 2022
- 9% included KPIs for climate action as ESG performance criteria for STI or LTI programmes for executive remuneration in 2022
- 73% disclosed positively whether it had been relevant to apply malus and claw-back provisions (or not)
- **18% included five-year comparative information (87% disclosed at least one-year comparatives)**
- No companies included a statement by the board
- 18% disclosed the outcome or result of the advisory vote at 2021 Annual General Meeting on 2020 remuneration report
- Four companies mentioned diversity and/or inclusion policies, initiatives, or targets in their 2021 remuneration report
- Four companies commented in some detail on remuneration of the wider workforce of employees (for examples with a commentary on the CEO pay ratio) in their 2021 remuneration report
- One company mentioned succession planning as a key initiative in their 2021 remuneration report
- On average the Swedish Large-Cap companies’ remuneration reports are **6 pages.**

Assurance on the remuneration report
As part of their audit of listed companies’ annual reports, the company’s independent auditors shall, in accordance with their respective local companies acts, read the remuneration report and report to the AGM if the auditor finds it appropriate to point out any omissions in the remuneration report in relation to the disclosure requirements of the companies act (‘compliance check’). This work is based on a disclosure checklist. The auditor is also required to check that all relevant information is disclosed in the remuneration report, using the auditor’s knowledge (‘completeness check’) obtained by reading the remuneration report, the remuneration policy and otherwise obtained during the audit. Finally, as part of the audit of the financial statements, the auditor must check that the information in the remuneration report is consistent with the knowledge obtained by the auditor through the audit (‘consistency check’), and the auditor must provide documentation of such consistency (and of any variances in cases where figures are to vary).

At Deloitte, we believe that it will add value to boards and shareholders if the company’s independent auditor issues a separate auditor’s report on the remuneration report. As part of such issuance, the auditor’s report could include testing the remuneration report for compliance with the local companies’ act (i.e. ‘compliance check’, ‘completeness check’ and ‘consistency check’) as well as testing the disclosures in the remuneration report for accuracy and completeness (‘audit procedures’). However, the auditor is not required to perform audit (or review) procedures to test for accuracy and completeness.

Denmark
For 2021 remuneration reports of the Danish Large-Cap companies, we have seen four different levels of assurance applied by the company's independent auditors:

1. No external assurance for 24% (2020: 27%)

2. Reasonable assurance report on Management´s compliance with company law for 13% (2020: 20%)

3. Consistency check as part of audit and reasonable assurance report on Management´s compliance with company law for 44% (2020: 33%)

4. Audit report on certain numbers and reasonable assurance report on Management´s compliance with company law for 18% (2020: 20%)

"76% of the companies' auditors performed and reported on a compliance check or an audit of the numbers in the remuneration reports (2020: 73%)."

Finland
For 2021 remuneration reports of the Finnish Large-Cap companies, we have consistently seen that **no external assurance** has been applied by the company's independent auditors on the remuneration reports.

"None of the Finnish Large-Cap companies asked their auditors to perform and report on an audit of the numbers in the remuneration reports."

Norway
For 2021 remuneration reports of the Norwegian Large-Cap companies, we have seen two different levels of assurance applied by the company's independent auditors:

1.No external assurance for 22%
2.Audit report on certain numbers and reasonable assurance report on Management´s compliance with company law for **78%**

"78% of the Norwegian Large-Cap companies asked their auditors to perform and report on an audit of the numbers in the remuneration reports."

Sweden
For 2021 remuneration reports of the Swedish Large-Cap companies, we have seen that external assurance has been applied by the company's independent auditors for **64% with a separate opinion to the AGMs of the surveyed companies.**

The Nordics
At Deloitte Denmark, we plan as a minimum to provide a 'reasonable assurance report' including a 'consistency check' as part of the audit to our clients. Furthermore, we see that some listed companies are selecting additional assurance options, like audits of certain numbers, if the board, shareholders, proxy advisors and/or the Financial Supervisory Authority expect or require this. We note that an audit of the numbers is common market practice in Norway being provided by the company's independent auditors.

Boards in the Nordics should therefore plan whether the 2022 remuneration report should have a report from the company's independent auditors, either as a compliance check or an audit of the numbers in the remuneration reports.

Total shareholder return (or alignment) in executive remuneration

Total shareholder return (TSR) is a measure of financial performance, indicating the total amount an investor reaps from an investment – specifically equities or shares of stock. To arrive at its total, usually expressed as a percentage, it includes special distributions, stock splits and warrants. Whichever way it is calculated, TSR means the same thing: The total of what a stock has returned to those who invested in it.

We believe that finding the 'right' key performance indicators (KPIs) that drive value creation and reflect these in incentive programmes should be important points for companies to work on over the coming years. The answer will also be found through strategic discussions of what drives long-term value creation in the future.

This will include market-based KPIs (for example share price growth or Total Shareholders Return (TSR), relative or absolute) and company-based KPIs capturing the underlying 'value creation', including transformation projects, value measurement and impact. We find it important that boards and executives align their views and perspectives of 'value(s)' and 'true performance', which will involve investigating which KPIs are important in driving true long-term value creation, and then implementing these in management incentive programmes.these in management incentive programmes. TSR is also more used in Finland and Norway compared to Denmark and Sweden.

As a country example, 11 of the largest Danish Large-Cap companies use TSR as at least one performance criterion, of which the majority apply a relative TSR approach against a peer group, compared to nine companies in 2020, representing an increase of 18 percent compared to last year. We expect this trend to increase over the coming years, i.e. with inclusion of TSR as a performance metric in executive remuneration or increasing shareholder alignment via company share investments and shareholding requirements for executives.

ESG and executive pay - an investor perspective...

"ESG performance conditions may be used but targets should be **material** to the business and **quantifiable."**
Institutional Shareholder Services (ISS), December 2021

"Where companies are incorporating the management of material **ESG risks and opportunities** into their **long-term strategy**, the Remuneration Committees should be incorporating the management of these material ESG risks as performance conditions **in the company's variable remuneration."**
The Investment Association (UK proxy body) letter to Remuneration Committee Chairs, November 2021

"In order to accelerate and secure meaningful ESG progress, there must be strengthened alignment between the desired outcomes and the companies and individuals we expect to produce them. **Significant, measurable and transparent ESG targets** should form part of senior management compensation plans for all European public companies."
Cevian Capital, March 2021

ESG metrics and targets in executive remuneration

A focus on ESG in the Nordics
The world is awakening to the significant environmental and social issues that it faces, and there is growing pressure on governments, businesses and individuals to drive meaningful change. With the increasing focus on climate change around the world, many businesses across the globe are making commitments such as 'Net Zero by 2030' and aligning their long-term strategy to an ESG framework.

A number of proxy agencies and investors have recently included updates on the use of ESG metrics in their guidance on executive remuneration. Executive pay can play a part in focusing the attention of the board, driving ESG ambitions and delivering a 'tone from the top'.

In the wider European market, there has been a marked increase in the focus on ESG in executive pay in recent years. Amongst the top Nordic companies[13], approximately **45% incorporate ESG metrics into the annual bonus,** whilst **19% incorporate them into the long-term incentive plan,** based on the 2022 AGM season. The trend is similar to that of the UK, where the adoption of ESG

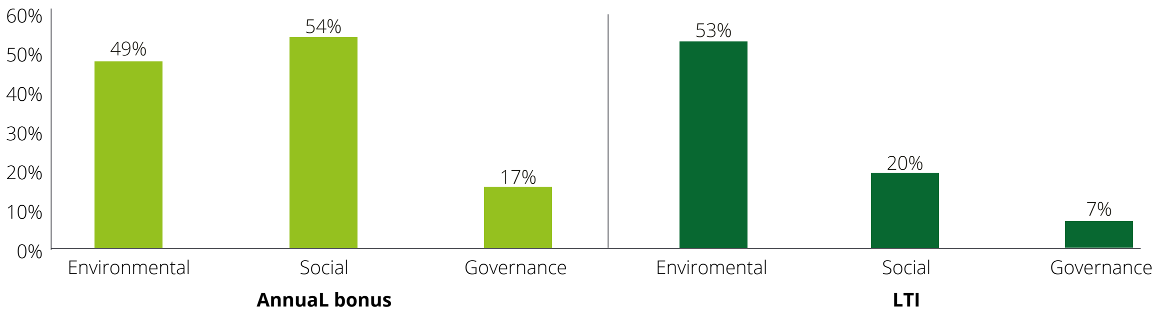
is more prevalent in the annual bonus than LTI. **Within the Nordic companies, the disclosure around weightings of ESG measures** used in annual bonus and LTI was limited, with only around **16 % of the companies disclosing the weightings.** Where disclosed, the typical weighting was **10% for the annual bonus,** and ranged **from 10% to 20% for LTI.**

[13] As part of the analysis, data from a total of 86 companies from Denmark (24 companies), Finland (19 companies), Norway (20 companies), Sweden (20 companies), and Iceland (3 companies) was used based on ISS recommendations available. Those 86 companies is a selection of the largest Nordic Large-Cap companies listed in the appendix.

Percentage of companies disclosing ESG metrics in executive remuneration in each of the Nordic countries	ESG metric in annual bonus	ESG metric in LTI	ESG weightings	ESG weighting of annual bonus	ESG
Denmark	50%	29%	Limited, over 50% do not disclose the weightings	10 - 20%	10 - 20%
Finland	42%	16%	Limited, over 50% do not disclose the weightings	10%	10 - 20%
Norway	45%	15%	Limited, over 50% do not disclose the weightings	12.5%	10%
Sweden	30%	10%	Limited, over 50% do not disclose the weightings	9-10%	No disclosures

There is some variety in the design of measures used by Nordic companies with some using ESG as a standalone metric, as part of a scorecard or within a basket of individual/strategic measures.

ESG measures in incentive plans in the Nordics



*as a % of all measures disclosed

Environmental and social measures are currently the most prevalent in incentive plans within both the annual bonus and LTI. However, the approach to ESG within executive remuneration is still evolving, and there is limited disclosure on target setting and assessment of performance to date.

As a country example, the most frequently used measures for the Danish companies are those focused on CO2 reductions or wider sustainability followed by employee/customer related metrics such as engagement or diversity targets.

Going forward, we expect the focus on ESG to continue as remuneration committees look to further align strategic priorities with remuneration frameworks, with increased scrutiny from investors and shareholders.

Our recent global report from January 2022[14] shows that there are discrepancies between CXOs' climate ambitions and the climate actions their companies are taking. Organisations are struggling to implement actions that demonstrate they have embedded climate considerations into their culture and have the senior leader buy-in and influence to effect a meaningful

[14] Deloitte Global CXO Sustainability Report – January 2022

transformation. Over a third of organisations have not implemented more than one of five "needle-moving" sustainability actions, see below.

Five tougher actions that global companies surveyed are struggling to implement:

1. 37% are tying senior leaders' compensation to environmental sustainability performance
2. 49% are developing new climate friendly products or services
3. 40% are incorporating climate considerations into lobbying/political donations
4. 46% are requiring suppliers and business partners to meet specific sustainability criteria
5. 44% are updating/relocating facilities to make them more resistant to climate impacts

Top actions that companies are taking - globally:

- Sustainable materials – 67% are using more sustainable materials (e.g., recycled materials, lower-emitting products)
- Energy use – 66% are increasing the efficiency of energy use (e.g., energy efficiency in buildings)
- Energy efficiency – 57% are using energy efficient or climate friendly machinery, technologies, and equipment
- Air travel – 55% are reducing the amount of air travel after the pandemic

Companies are less likely to have undertaken the tougher actions as defined by Deloitte's analysis – with one exception; requiring suppliers and business partners to meet sustainability criteria. Some of the tougher actions where Danish and Nordic companies can improve are related to developing new climate friendly products and services as well as **tying senior leaders' compensations to environmental sustainability performance.**

Relevant questions for Boards and Executives to ask:

- How are other companies going about setting up their organisation for this, including data collection and reporting systems?
- What, when and how you should report on the EU Taxonomy and the EU Corporate Sustainability Reporting Directive?
- How other companies are combining sustainability and financial data into their performance management system?

The approach to ESG within executive remuneration is still evolving, and there is limited disclosure on target setting and assessment of performance to date, particularly as this is the first or the second year of remuneration reporting required for Nordic listed companies under the Shareholder Rights Directive and its implementation into the local Companies Act.

Going forward, we expect the focus on ESG to continue as remuneration committees look to further align strategic priorities with remuneration frameworks. The below sets out some key questions and practical considerations for remuneration committees looking ahead:

Which metrics?
- Where is your material impact?
- External goals and commitments?
- 'True performance' measures and value creation, transformation and measurement?
- Market-based or company-based metrics?

Eligibility?
- Eligible populations – broad-based, senior management only or executive board only?

Single metric or basket of measures?
- Clear single metric/KPI versus scorecard – 'single goal' with clear message versus more holistic assessment?
- Weighting?

Setting robust and quantifiable targets?
- Threshold, target and maximum range
- Verification / assurance of out-turns?

Timeframe for assessment?
- Progress assessment after one year, three years? Or different timeframe e.g. five years, separate incentive plan?
- At grant or over a vesting period?
- Holding/deferral periods for shares vested?

Quantum?
- Is the Remuneration Committee comfortable paying X amount for achievement of targets?
- Additive approach or modifier?

Remuneration Committee Annual Cycle

The annual meeting cycle shown below is for illustrative purposes and will need to be tailored to the Remuneration Committee and Board timetables for the company:

JUNE / AUGUST	
Update from AGM	• Update on voting on directors remuneration • Summary of key issues raised by investors
Market update	• Update on market trends, including: · Market practice / trends · Practices among peer companies · Corporate governance and regulatory developments
Remuneration review	• Review of remuneration principles and policies, including compensation models, elements and levels against best practice/ market trends • Remuneration benchmarking including a review of peer group(s) • Assess ongoing appropriateness of remuneration arrangements

SEPTEMBER / NOVEMBER	
Remuneration policy review	• Review draft remuneration policy wording • Consider and agree approach to shareholder consultation, if relevant
Review estimated incentive outturns	• Update on annual bonus outturn based on latest available data and any key items relating to performance requiring the committee´s consideration
Committee Charter	• Finalise Remuneration Committee Terms of Reference (or Charter)

DECEMBER / JANUARY	
Approve performance measures and targets for upcoming year	• Approve annual bonus targets for following year • Approve targets/structure for LTI grants • Approve any remuneration changes for executive management
Shareholder consultation	• Review and approve shareholder consultation materials (circulate to wider Board for info) • Draft shareholder letter flagging key points in the remuneration policy and any proposed changes • Consult with major shareholders and proxy agencies • Gather feedback on new remuneration policy proposals and confirm support for approach.

FEBRUARY / MARCH	
Agree incentive outturns for previous year	• Assessment of performance against targets
Remuneration report	• Review investor feedback to date and consider potential refinements to remuneration policy proposal(s) • Finalise remuneration policy for final approval by the Board • Drafting of the remuneration report
Approve equity grants for upcoming year	• Proposed grants • Basis of eligibility • Plan limits/headroom

Benchmarking board and executive remuneration

This report is intended to provide you with a guide to the current levels of board and executive remuneration and the use of LTI in Nordic Large-Cap companies. However, it is important to note that the analysis is based on information disclosed in remuneration reports relating to financial periods ending between June and December 2021 and therefore the analyses do not always fully reflect the very latest approaches.

When using this report, we would strongly recommend that you consult with your advisers on the interpretation of the data and its relevance to your particular circumstances.

We have provided information on remuneration for companies included within the Nordic Large-Cap Index or equivalent index with listed companies with a market cap above EUR 1 billion. In many markets, a clear correlation exists between executive remuneration and the size of a company, and this provides a useful starting point in the benchmarking process. However, there are a number of points to bear in mind:

- This analysis only covers companies included within the Nordic Large-Cap Index or equivalent. You will need to consider whether a more specific comparator group would be more relevant for your company to benchmark against.

- You will need to make a judgement on how your company compares to this sample, taking into account any relevant factors (which might include, for example, company size, industry/sector, the degree of internationality, the complexity of the business and total shareholders return — to name a few) in interpreting the data.

- You should be aware of the impact that volatility in financial markets can have on salary benchmarks. Changes in the market capitalisation of particular companies or sectors may mean that comparator groups can include companies that were substantially bigger or smaller this time last year and the salaries in place at these companies will reflect this. In volatile times, salary benchmarks must be viewed with particular caution.

- There may be very good reasons why the remuneration paid to an individual is outside the market range for a given position and it is important to assess the particular circumstances of each case. Positioning at the market median is not usually the correct starting point. In determining positioning, consideration should be given to all relevant factors, including internal relativities and the calibre and experience of the individual.

“At Deloitte, we believe that the purpose of incentive programmes is to align the interests of executive management with those of the shareholders (and other key stakeholders), i.e. to ensure that management is motivated to work towards achieving goals that are aligned with the company’s strategy”

Tinus Bang Christensen
Valuation Services Leader, Corporate Finance Advisory in Deloitte Denmark

Overview of remuneration components

Remuneration of executive directors can generally be divided into fixed and variable remuneration. Fixed elements include base salary, pension and other forms of remuneration (car, phone, housing benefits, etc.) whereas variable elements typically include short-term incentives (STIs) and long-term incentives (LTIs). Typically, STIs are one-year cash-based considerations, while LTIs are longer than one year and may include either cash or share-based pay (shares or options/warrants).

In general, fixed elements of remuneration are aimed at remunerating executive management for expected performance, while the purpose of variable elements is to incentivise extraordinary or exceptional performance. Consequently, variable elements are typically linked to a number of key performance indicators (KPIs) or benchmarks, which must be achieved before variable remuneration is payable.

Variable salary types

Variable remuneration can be either short-term or long-term. Short-term incentives typically refer to bonus arrangements that are settled within the financial year of the company, while long-term incentives apply to arrangements that apply over a period greater than a single financial year, normally three years. Below is a non-exhaustive overview of different types of LTIs.

Remuneration components

Fixed elements			Variable elements	
Base salary	Pension	Other	Bonus	Share-based remuneration
			Incentive programmes	

Programme	Description
Employee shares	Via a monthly salary reduction the employee may save up to buy shares - typically at a discount
Matching shares	The employee buys shares at market value which will be matched by a certain ratio after a number of years, in case the employee has not sold his/her shares or left the company
Performance share unit and restricted stock units	The employee is granted free shares, which may not be transferred or exercised until certain conditions are met - for example financial goals or ongoing employment
Share-based options	The employee is granted the right to buy existing company shares in the future at a price determined in advance
Share-based warrants	The employee is granted the right to buy newly issued company shares in the future at a price determined in advance

The purpose of incentive programmes is to align the interests of executive management with those of the shareholders (and other key stakeholders) and to ensure that management is motivated to work towards achieving goals that are aligned with the company strategy.

The goals of incentive programmes are typically company-wide financial and non-financial KPIs, which can be evaluated on an absolute or a relative basis. Examples are relative total shareholder return, absolute EBITDA performance of a division and company-wide customer service or employee satisfaction KPIs. Non-financial KPI's related to ESG are also emerging as metrics and targets in executive remuneration, refer to our analysis above.

Methodology

Data

The analysis in this report is based on the board and executive remuneration of 208 Nordic-listed Large-Cap companies as of the end of March 2022. The data is based strictly on publicly available information obtained from annual reports, remuneration reports, company websites, press releases, general meeting notes, remuneration policies, etc. Not all companies report their remuneration with the same level of detail and the number of companies or executives that are included will vary from one analysis to the other.

Remuneration analysis

The analysis of base salary includes only those individual executive directors where remuneration for the full financial year was provided in the annual report or where it was possible to reasonably pro rata adjust any part-year salary information.

As not all companies in our analysis have the same financial year-ends, we have simply used the latest financial periods that have been published. Our analysis therefore attempts to reflect, as accurately as possible, the salary levels effective for the financial years 2020 to 2021 inclusive. We have not applied any inflation adjustment to the disclosed salaries.

We have categorised the main executive management positions into three main groups — the chief executive officer (CEO), the chief finance officer (CFO) and other executive directors (Other Executive Directors). In some companies, the only members of executive management are the CEO and the CFO (or even just the CEO), and hence not all companies are represented in all analyses. It is also worth noting that for some companies where an executive director has left during the year, the details of the new incumbent are not yet known at the time of reporting or are not disclosed. This means that there will not always be a top full-time CEO or CFO for every company.

For the analysis of total remuneration, STIs and LTIs, all companies where a remuneration split was provided for the total executive board or individuals for both years have been included. We count each company as one observation in this analysis. In the case of GN Store Nord which has more than one effective CEO, we apply all CEOs as observations.

When analysing base salary, all companies where a breakdown of remuneration was disclosed for individual executive directors for both years have been included. However, for some companies, pension is included in the base salary and for others it is not clear whether the pension is a part of the reported base salary. For this analysis, one executive director is counted as one observation. We apply all individuals as observations for the pension analysis.

For analysis of LTI programmes, we apply each programme as one observation. This means that all individual programmes of the companies have been included.

For the analysis of board pay, we count each company as an observation.

Statistics

Throughout the report, the data are presented by using the following statistics:

- Upper quartile — separates the top 25% of a sample from the bottom 75%
- Median — the midpoint of a sample
- Lower quartile — separates the bottom 25% of a sample from the top 75%
- Average — the arithmetic mean of a sample

Total remuneration of Nordic CEOs

According to IFRS, executive remuneration must be disclosed in the company's annual report, and further details per individual executive director are to be provided in the new remuneration report from 2020 onwards. The level of detail that companies disclose however still varies, with some companies disclosing remuneration for each executive director, while others disclose remuneration only for the CEO and the remainder of the executive directors as a whole. Remuneration is typically disclosed on the different types of pay (base salary, pension, bonus and LTI), but for a small number of companies, remuneration is only disclosed at a total level.

Below, we show CEOs' median total remuneration in 2020 and 2021 in each of the largest Nordic countries, as well as the composition of executive director remuneration for the last two years. The final chart in this section shows the proportion of total CEO remuneration in the form of variable pay (bonus and LTI). Extraordinary pay is not included in total remuneration as to make the results more comparable.

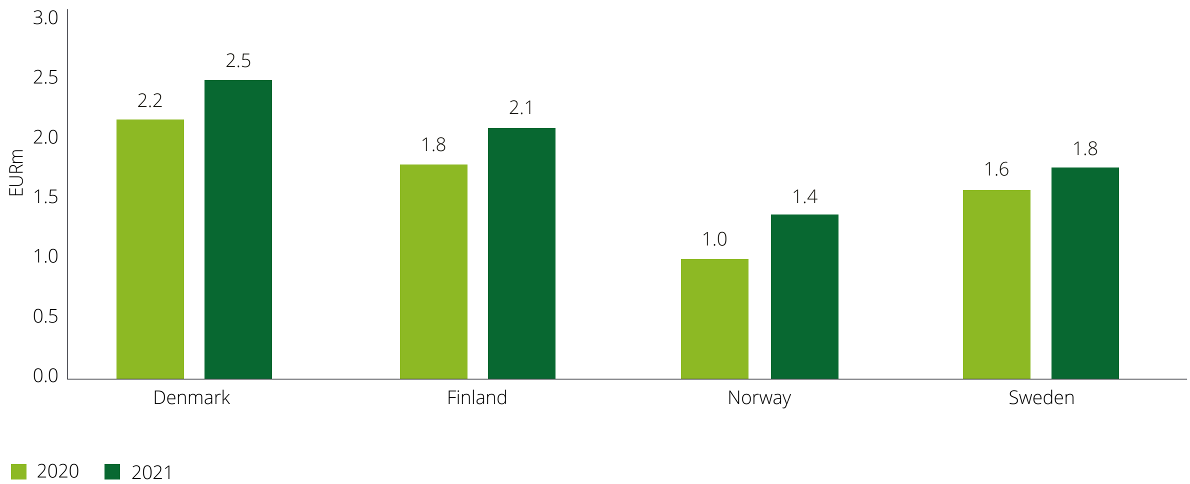
From the analysis, we find that total CEO remuneration in Denmark, Finland and Norway is broadly similar, while CEO remuneration in Norway has been lower.

In terms of remuneration splits, we see that in Denmark and Sweden, base salaries account for c. 50-55% of total remuneration, while the proportion is higher by c. 5%-points in Norway and lower by c. 5%-points in Finland. Looking at pensions, the proportions partly reflect the different pension and tax structures in place in each country, where we see that pension contributions account for c. 15% of the total in Sweden, whereas this is 5-10%-points lower in the other Nordic countries.

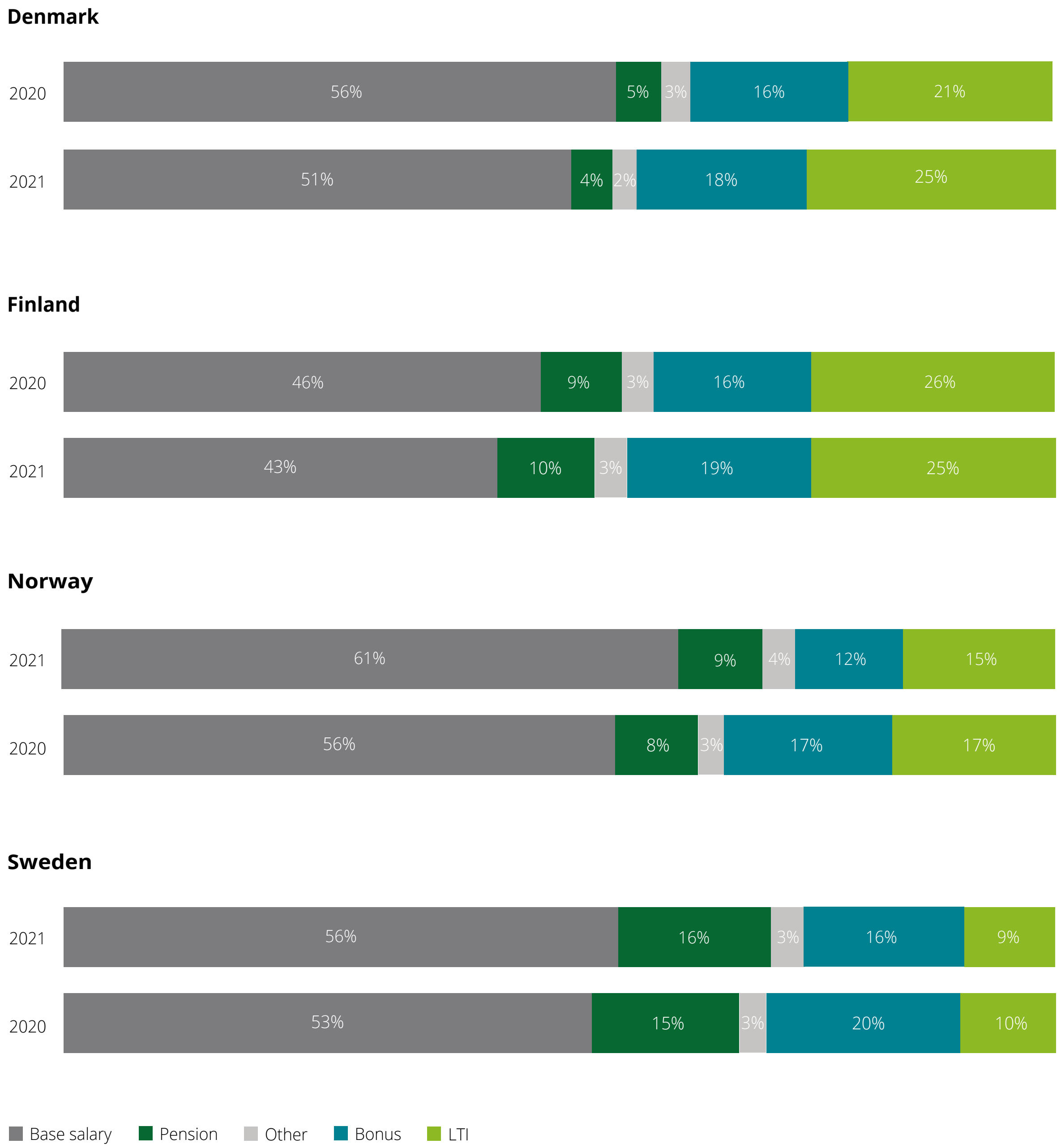
Turning to variable pay, Denmark and Finland have broadly similar levels, with bonuses and LTI contributions accounting for c. 35-45% of total. Variable pay accounts for c. 5 and 10 %-points less in Finland and Sweden, respectively. We further observe that LTI as a percentage of total remuneration is broadly similar across Denmark, Norway and Finland (at c. 20-25%), but accounts for only c. 10% in Sweden.

Please note that the level of detail and disclosure around LTI programmes and payments varies significantly across companies and countries but in Finland and Sweden in particular. Specifically, disclosure as to whether LTI payments disclosed represent vested pay or granted pay is lacking and therefore uncertainty about the values in our dataset across companies. However, as disclosure improves in the coming years, we can validate data, and as such improve the robustness of the results in our future studies.

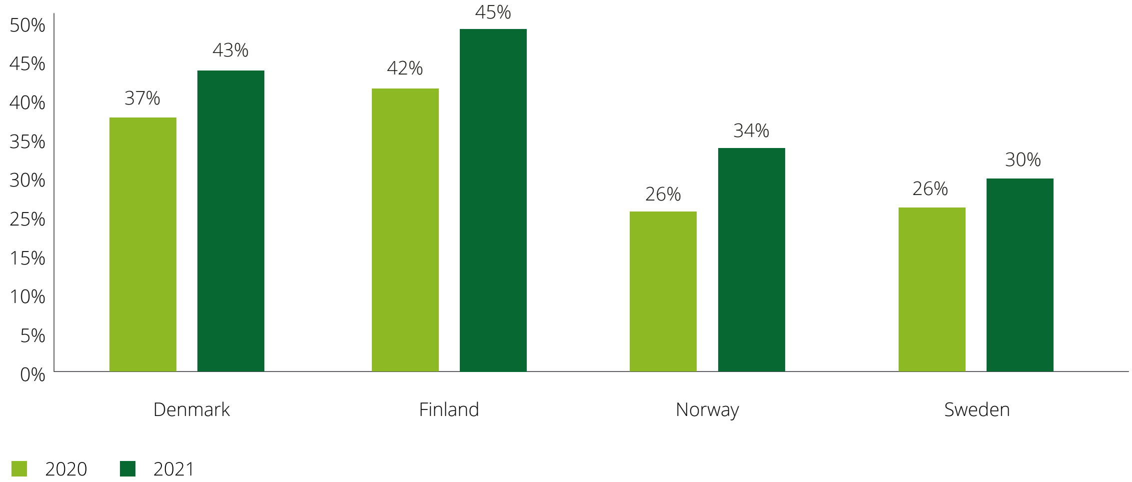
Total median CEO remuneration by country



Remuneration splits



CEO variable pay proportions by country



Source: Deloitte analysis.
Note: Companies that did not disclose their CEO's remuneration split have been excluded. Only companies for which CEO remuneration was disclosed in each of the lastm two years have been included. This includes 45 companies for Denmark (46 observations as GN Store Nord has two CEOs), 34 for Finland, 23 for Norway and 101 for Sweden.

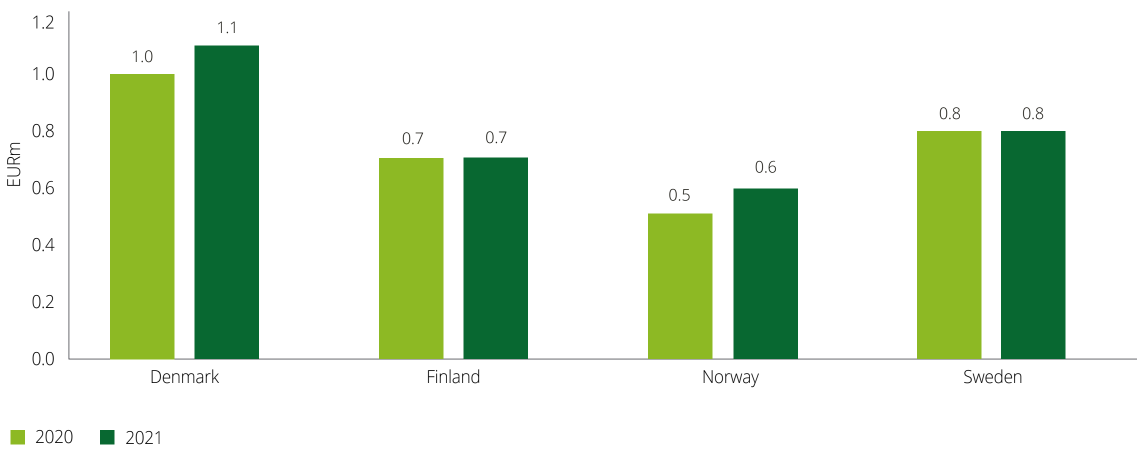
Base salaries of Nordic CEOs

Looking at base salaries, we have looked at the median development between 2020 and 2021 across the main Nordic countries. Furthermore, we show for each country a distribution of CEO base salaries.

We find that CEO base salaries are the highest in Denmark at around EUR 1.1m, followed by Sweden (EUR 0.8m) and then Finland and Norway (EUR 0.6-0.7m). In all countries, median base salaries have increased by c. EUR 0.1m from 2020 levels. Looking at the median change in base salaries across countries we find an increase of 5.6%, 1.4%, 5.6% and 5.8% in Denmark, Finland, Norway and Sweden.

In 2021, CEO base salaries ranged from EUR 0.3- 2.4m in Denmark, EUR 0.2-1.8m in Finland. EUR 0.2-1.1m in Norway and EUR 0.1-3.4m in Sweden.

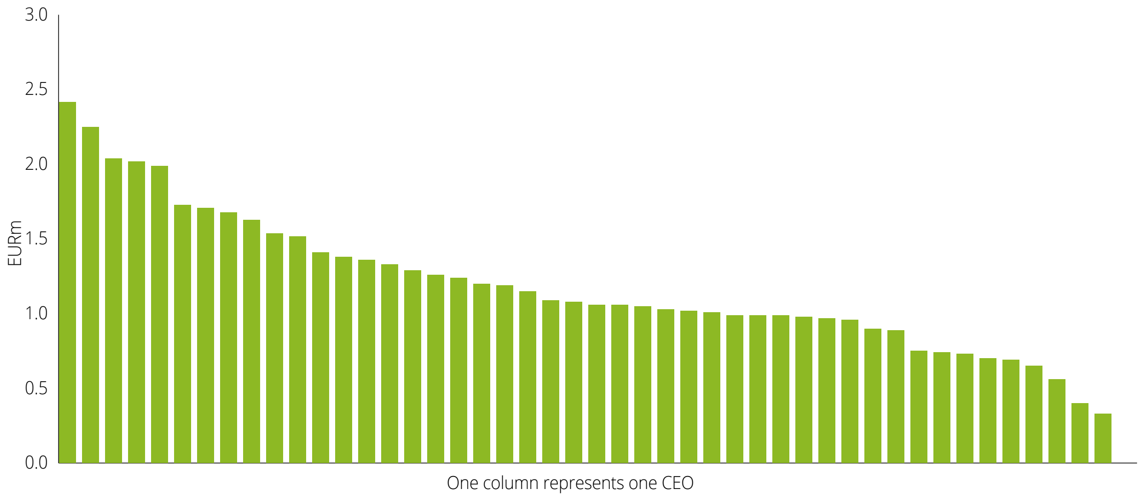
Median CEO base salary by country, EURm



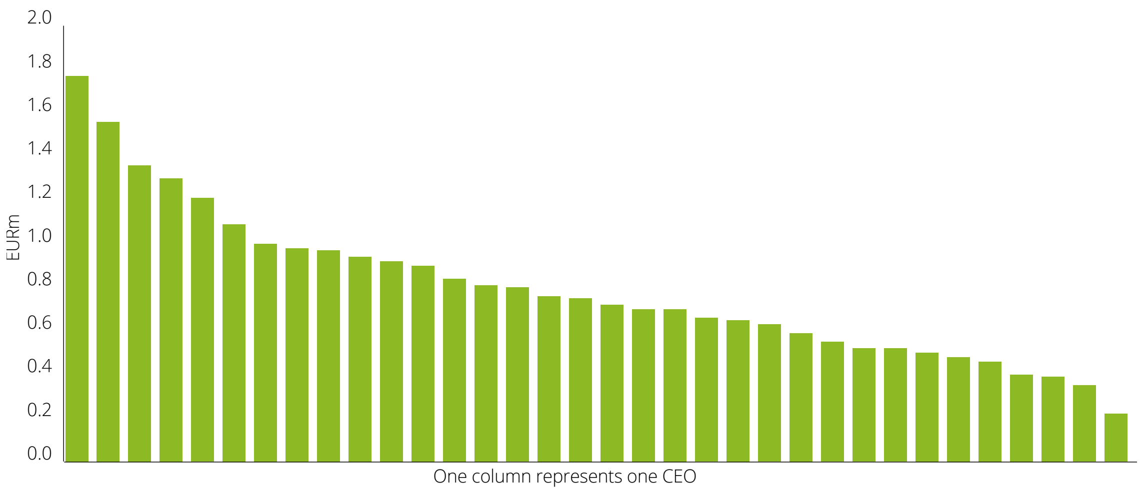
Source: Deloitte analysis
Note: Companies that did not disclose their CEO’s base salary over both years have been excluded. The analysis therefore includes 45 companies for Denmark (46 observations as GN Store Nord has two CEOs), 34 for Finland, 23 for Norway and 101 for Sweden.

CEO base salaries distribution

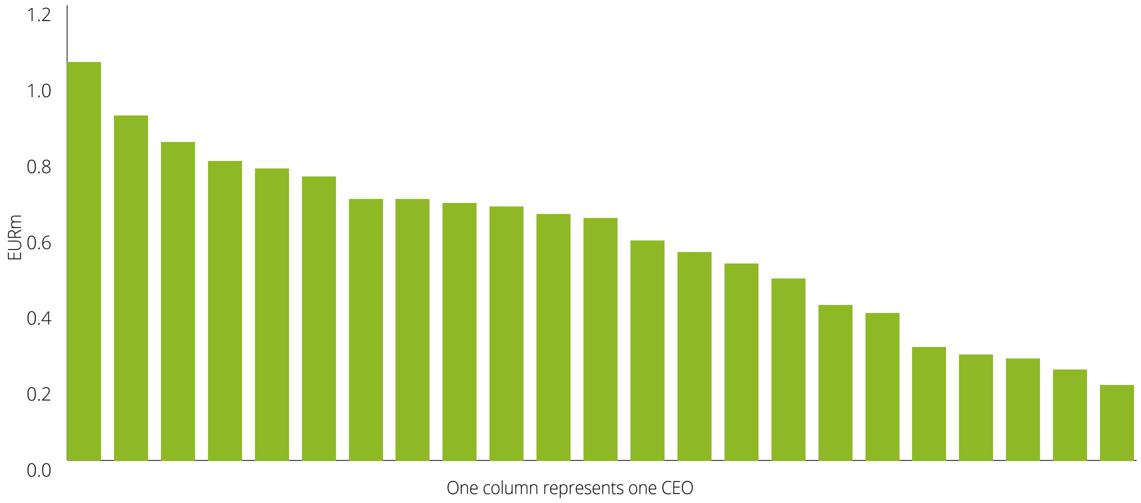
Denmark



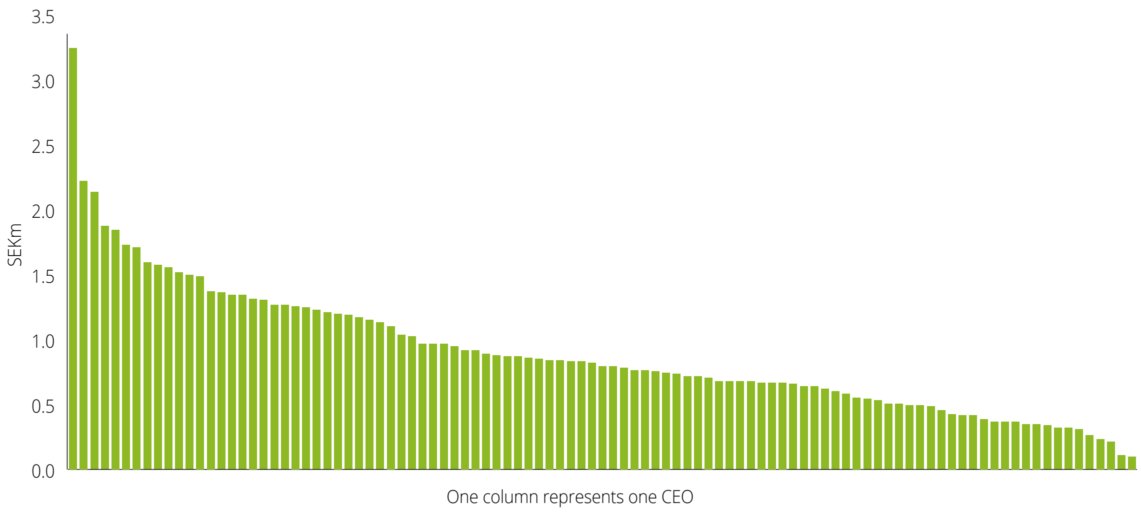
Finland



Norway



Sweden



Source: Deloitte analysis
Note: Analysis includes 46, 34, 23 and 101 CEOs for Denmark, Finland, Norway and Sweden, respectively.

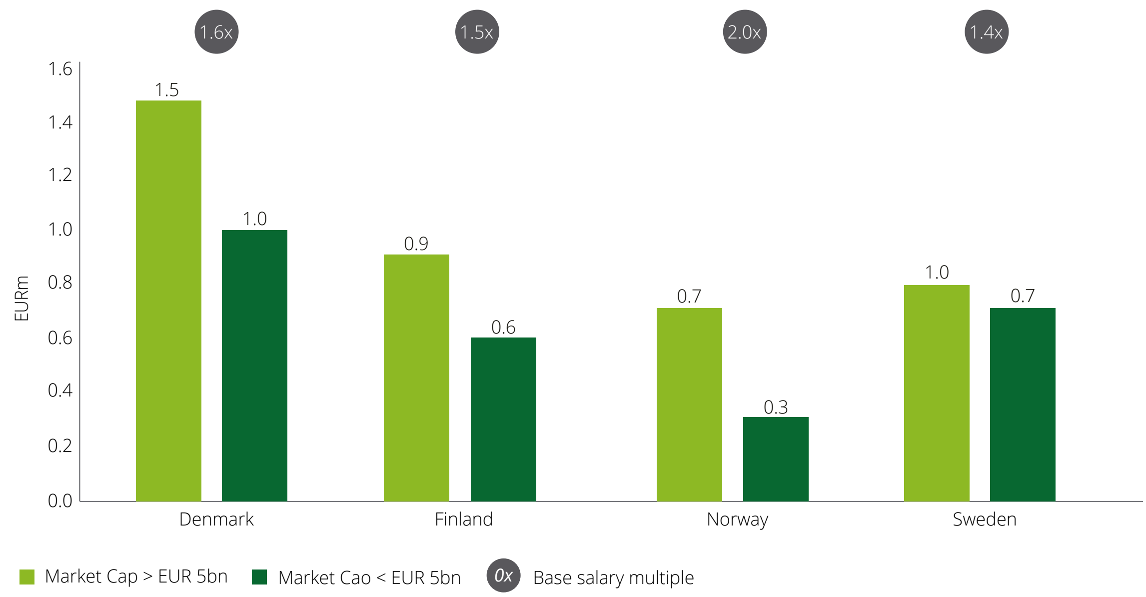
Base salaries vs market cap

To investigate whether there is a tendency for CEOs to receive larger salaries depending on market cap, we have performed a number of analyses regressing 2021 base salaries vs market cap as of 31 December 2021 using data from S&P Capital IQ.

Median base salary by market cap segment and country.

In the first analysis below, we split the companies in each country into two segments: those with a market cap under EUR 5 billion and those with a market cap over EUR 5 billion. As can be seen, CEOs employed at larger companies measured by market cap were remunerated between 1.4x (Sweden) and 2.0x (Norway) their peers employed at smaller companies.

Median base salary

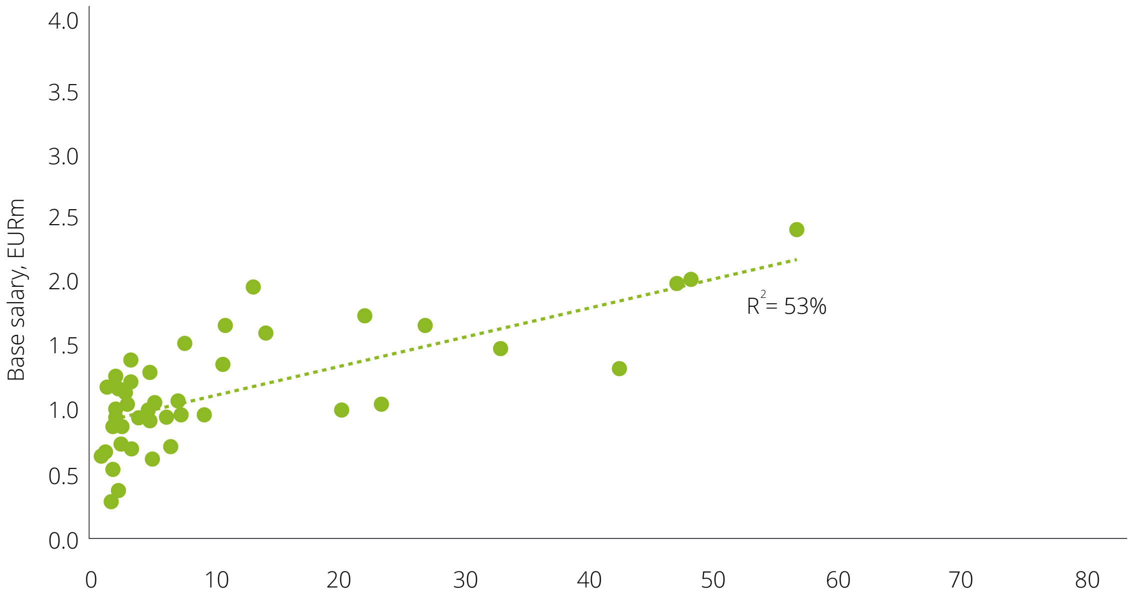


We have also shown the individual distributions on a country level in the four charts below. Note that the axis scales are kept constant across the analyses and that we have further excluded the largest companies from the analyses that are deemed to be outliers (these include Novo Nordisk in Denmark, Equinor in Norway and AstraZeneca in Sweden).

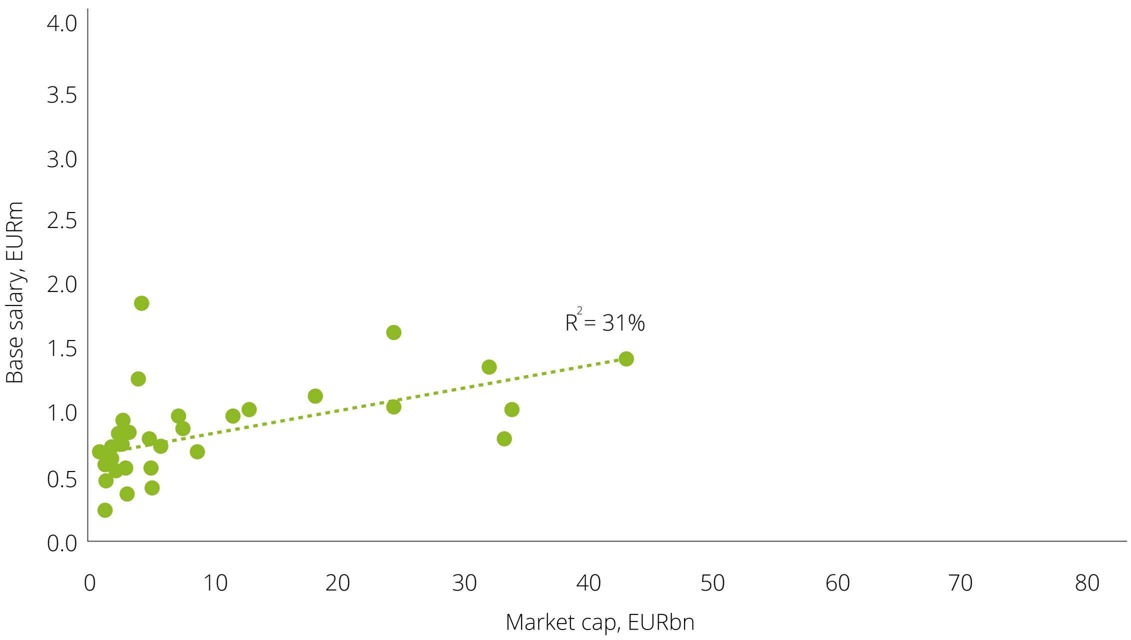
At lower market cap levels, it would appear that there is a greater scatter in data points, but as market cap increases there appears to be a greater relationship between market cap and base salary. Applying a trend line to each country group, we find that there is an R^2 coefficient[15] ranging from 24% in Sweden to 53% in Denmark. Additionally, we see that there is an implied minimum base salary ranging from c. EUR 0.4m to EUR 0.9m depending on the country.

[15] The R^2 (R squared) coefficient is a measure of the strength of the relationship between two variables. In this case, it measures the proportion of variation in the base salary (dependent variable) that is predictable from market cap (independent variable)

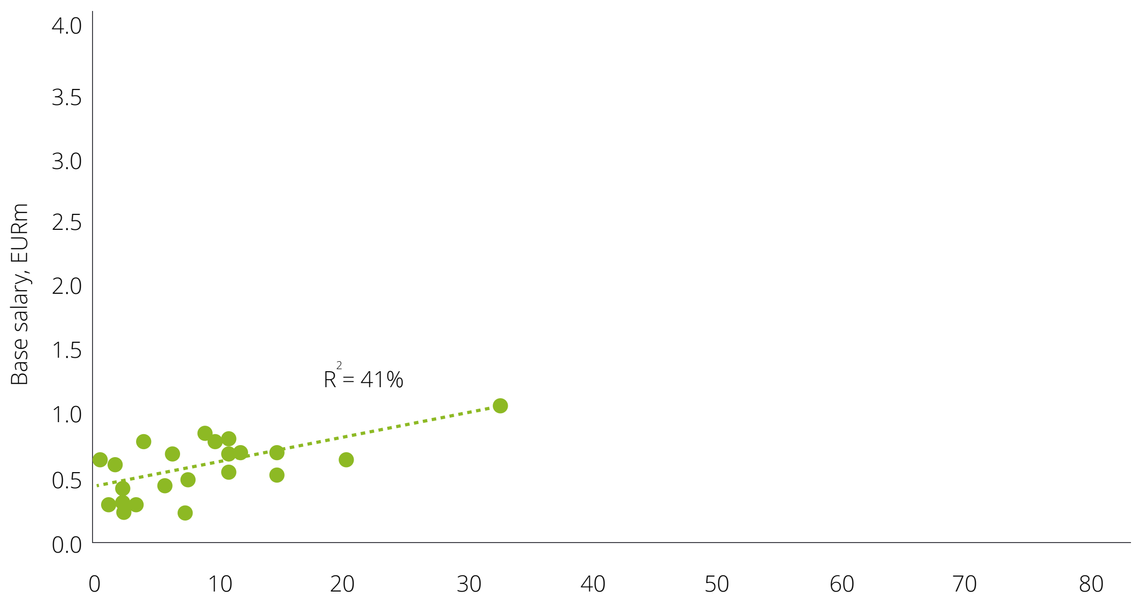
Denmark - regression results



Finland - regression results



Norway - regression results



Sweden - regression results

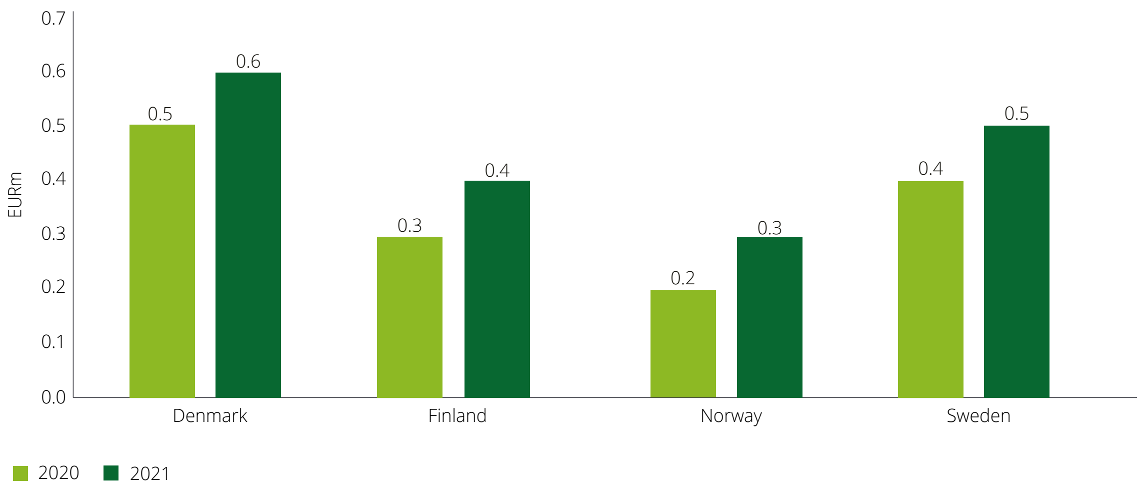
Bonus payments to Nordic CEOs

In this section, we look at (short-term) bonus payments to Nordic CEOs. Bonus payouts varying across countries, with the highest levels found in Denmark and Sweden of EUR 0.5-0.6m in 2021, compared to EUR 0.3-0.4m in Finland and Norway.

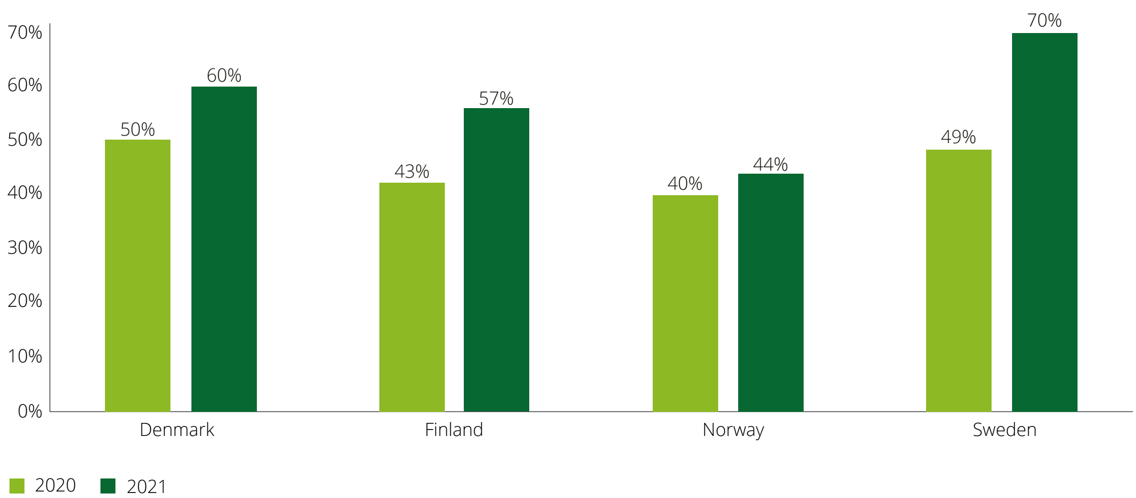
We note that bonus payouts increased markedly in 2021 to 70% of base salary. Denmark and Finland paid out bonuses to CEOs in 2021 amounting to c. 60% of base salary, while bonus payouts in Norway were significantly lower at around 45% in 2021. 2020 levels were more consistent and this may reflect a general conservative outlook given the Covid-19 pandemic in that year.

The average maximum bonus allocations for CEOs was 76%, 110%, 65% and 81% for Danish, Finnish, Norwegian and Swedish companies, respectively.

Median CEO bonus payout by country

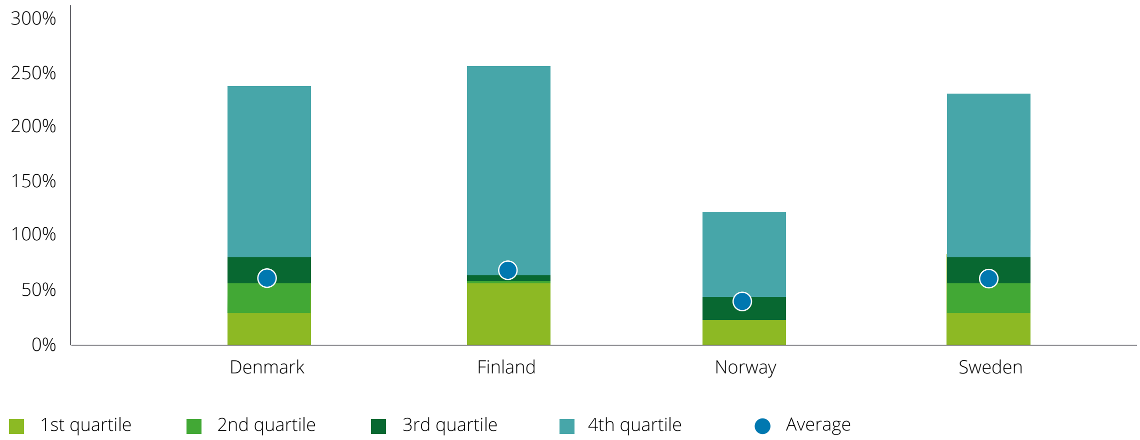


Median CEO bonus payout as percentage of base salary by country



Source: Deloitte analysis
Note: Companies that did not disclose their CEO remuneration breakdown have been excluded. Only observations disclosed for each year have been included, leaving 46, 34, 23 and 101 companies for Denmark, Finland, Norway and Sweden, respectively.

Maximum CEO bonus payout as percentage of base salary by country



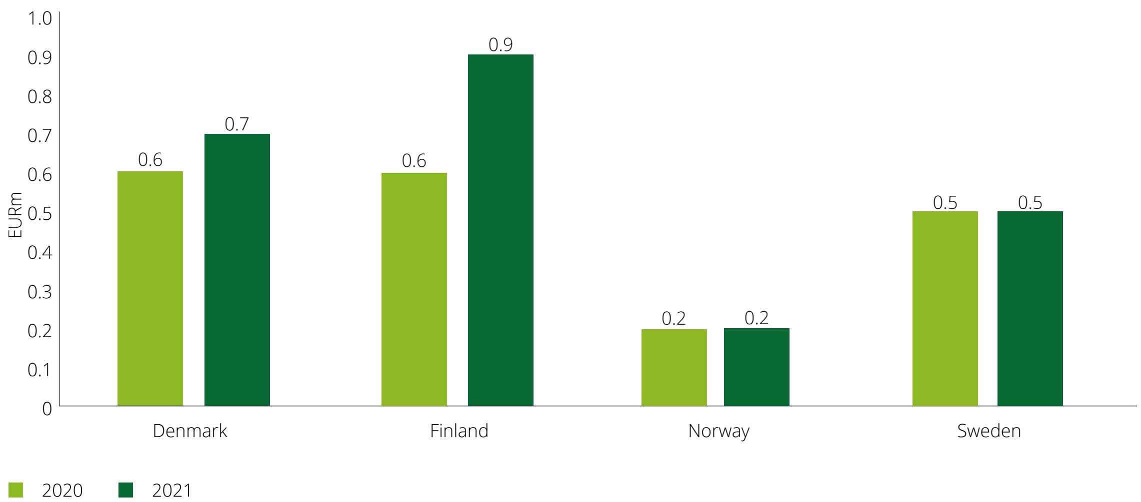
Source: Deloitte analysis
Note: This analysis includes 39, 32, 18 and 71 observations for maximum bonus allocations disclosed in 2021 for Denmark, Finland, Norway and Sweden, respectively.

Long-term incentive (LTI) payments to Nordic CEOs

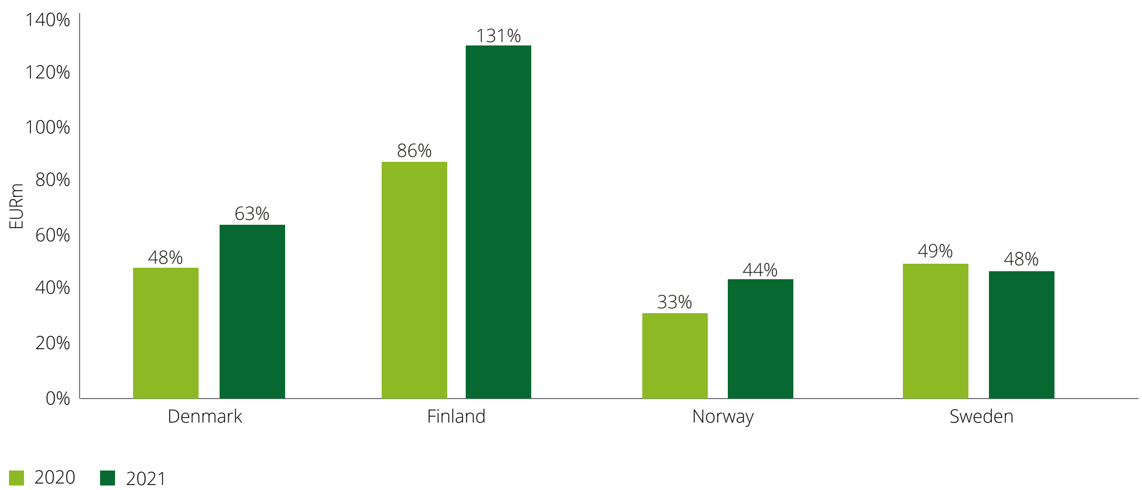
In this section, we look at LTI payments to Nordic CEOs. LTI payouts vary considerably across countries, with the highest levels found in Denmark and Finland of c. EUR 0.7-0.9m in 2021. Norwegian companies evidently have lower payouts compared to their Nordic peers at c. EUR 0.2m.

LTI payouts increased significantly in Denmark and, in particular, in Finland in 2021 compared to a year earlier. Finnish payouts as a proportion of base salary were significantly higher than its other Nordic counterparts. However, as mentioned earlier in this report, this analysis needs to be read on the understanding that the data disclosed in many companies' reports could be improved. In many cases, it is not disclosed what the payout represents (e.g. whether it represents vested pay, granted pay or otherwise). Overall, Nordic companies, in particular in Finland, Norway and Sweden could improve disclosure on this subject.

Median CEO LTI payout by country



Median CEO LTI payout as percentage of base salary by country



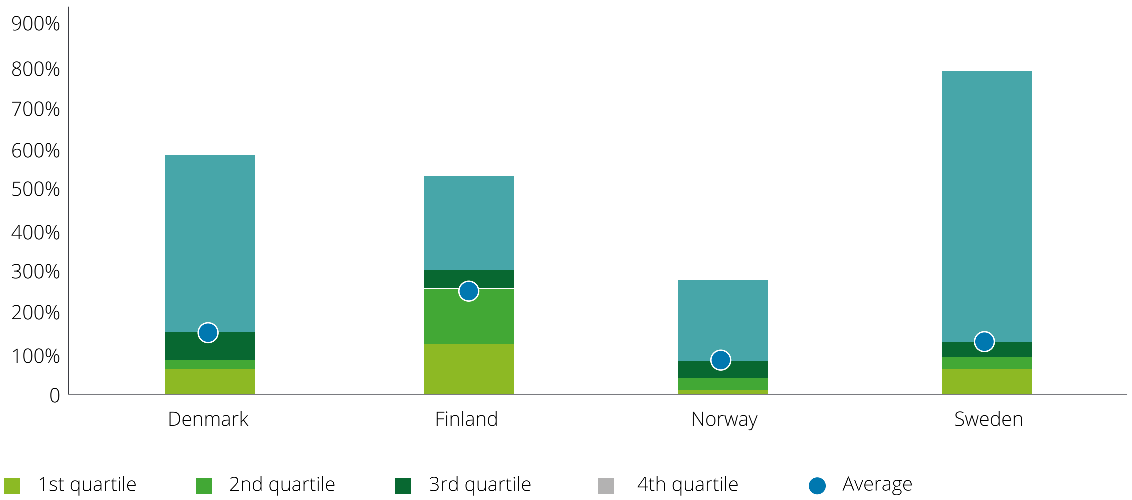
Source: Deloitte analysis
Note: Companies that did not disclose their CEO remuneration breakdown have been excluded. Only observations disclosed for each of the last two years have been included, leaving 46, 34, 23 and 101 companies for Denmark, Finland, Norway and Sweden, respectively.

Maximum CEO LTI payout as percentage of base salary by country

We further look at the maximum LTI grant that can be made under each programme, as disclosed in company remuneration policies and reports. The maximum permissible LTI allocations as a percentage of base salary are shown in the figure below where we can observe a large variation from country to country.

The average maximum LTI allocation for CEOs in 2021 was 142%, 199%, 88% and 135% for Danish, Finnish, Norwegian and Swedish companies, respectively.

Maximum CEO LTI payout as percentage of base salary by country



Source: Deloitte analysis
Note: This analysis includes 57, 29, 20 and 34 observations for maximum LTI allocations disclosed in 2021 for Denmark, Finland, Norway and Sweden, respectively.

Long-term incentive (LTI) programme structures

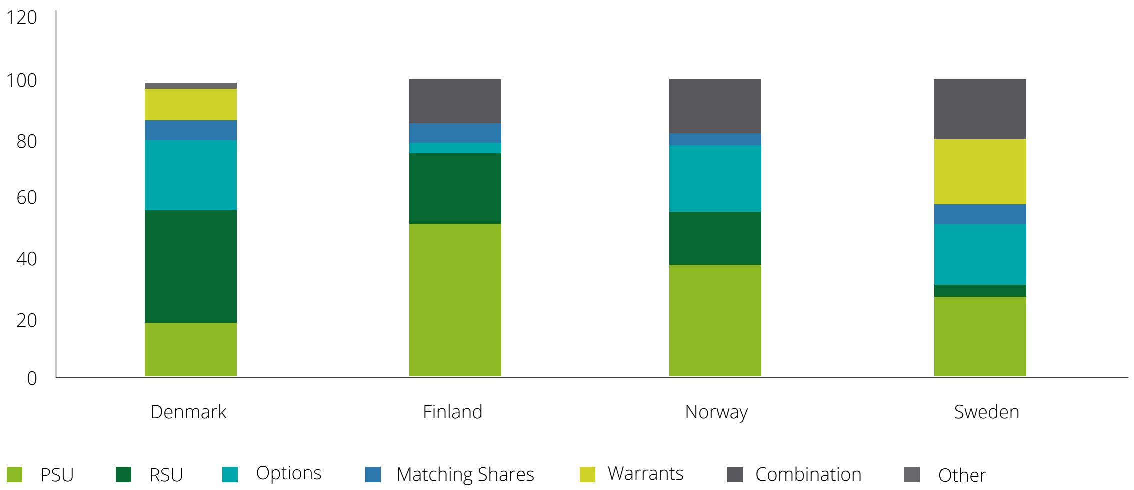
Our analysis of LTI programmes this year includes the following number of companies and separate programmes per company:

- Denmark: 42 companies with 74 separate, active LTI programmes
- Finland: 34 companies with 60 separate, active LTI programmes
- Norway: 23 companies with 31 separate, active LTI programmes
- Sweden: 98 companies with 129 separate, active LTI programmes

When looking at the structure of the different LTI programmes, we have included only programmes that are still active, as the objective of this analysis is to describe the LTI schemes currently being applied by companies. In the chart below, we have classified the individual company programmes into six categories as presented in the introduction, namely matching shares, performance share units (PSUs), restricted stock units (RSUs), options, matching shares, warrants, combinations (combination of matching shares and RSUs for example) and Other.

As seen from the chart, the most common structures are typically PSUs, RSUs and options, but this varies across countries.

Incentive programme types by country



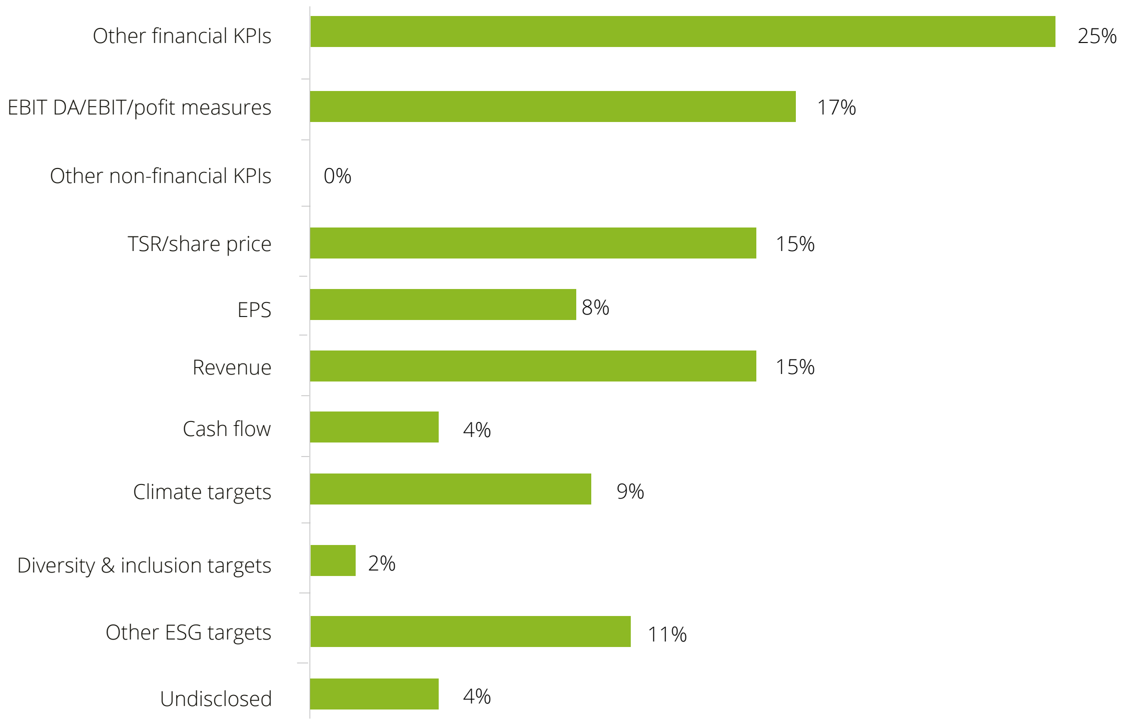
Source: Deloitte analysis
Note: Analysis covers 74, 60, 31 and 129 separate, active LTI programmes in 2021 for Denmark, Finland, Norway and Sweden, respectively.

Vesting criteria

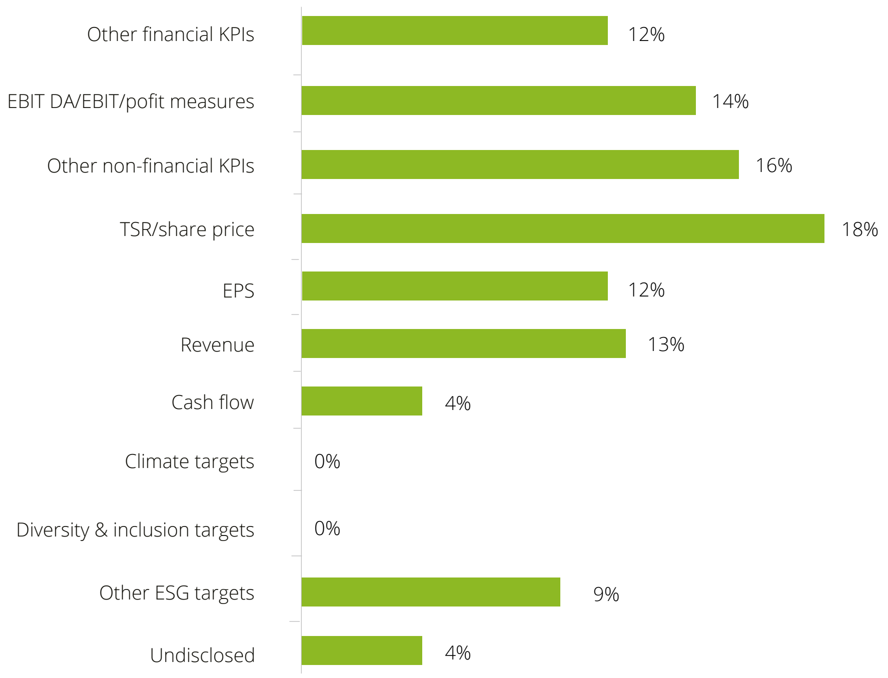
To give management the incentive to make decisions in alignment with the business strategy, variable pay is normally conditional on certain vesting criteria which measure executive performance. If the vesting criteria are not met, all or part of the variable pay may lapse.

As illustrated below, there is a large variation in the vesting criteria applied between programmes, and no clear consensus exists. As vesting criteria are often customised for specific companies and strategies and, in some cases, for individual participants, diversity of vesting criteria is to be expected.

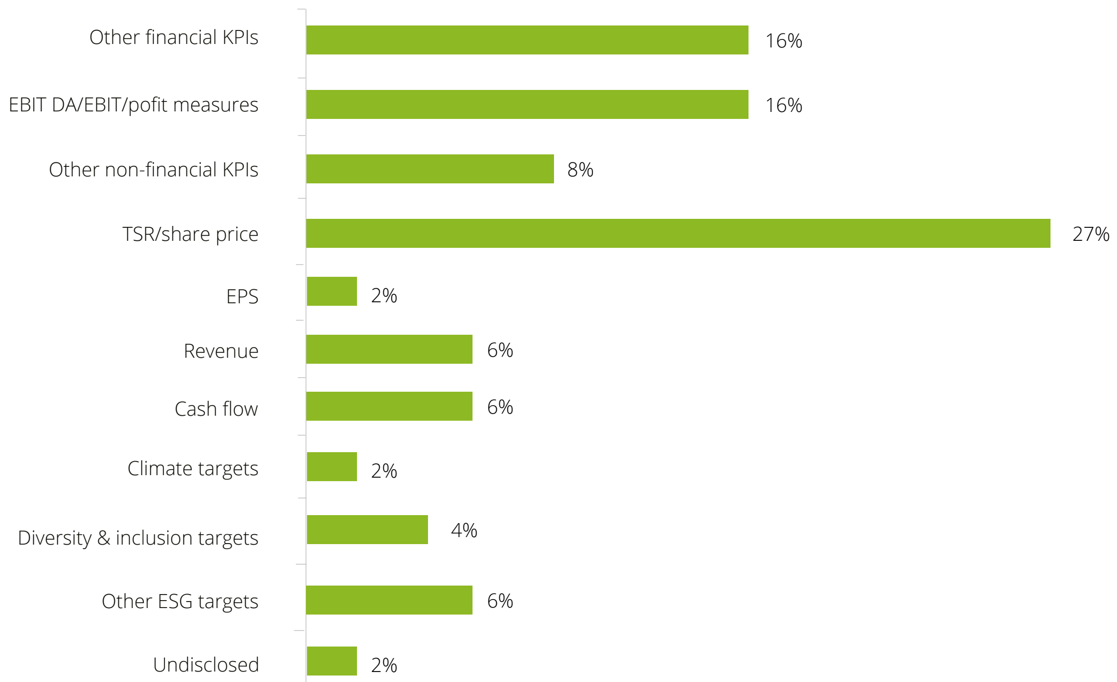
Vesting criteria – Denmark



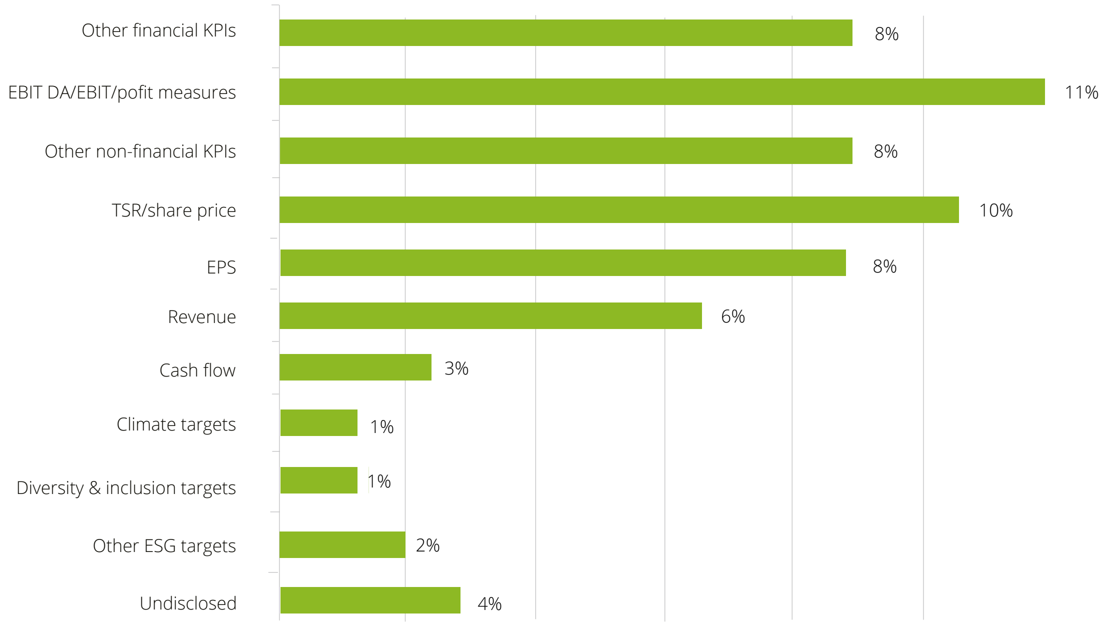
Vesting criteria – Finland



Vesting criteria – Norway



Vesting criteria – Sweden



Source: Deloitte analysis
Note: "Undisclosed" indicates an LTI programme that has vesting criteria which were undisclosed.
Note: "Other financial KPIs" includes both unspecified financial KPIs and financial KPIs other than those shown in the table. Similarly, "Other non-financial KPIs" includes both unspecified non-financial KPIs and non-financial KPIs other than those shown in the table. Note: Figures do not sum to 100%, as an LTI programme can have more than one vesting criterion.

Board remuneration

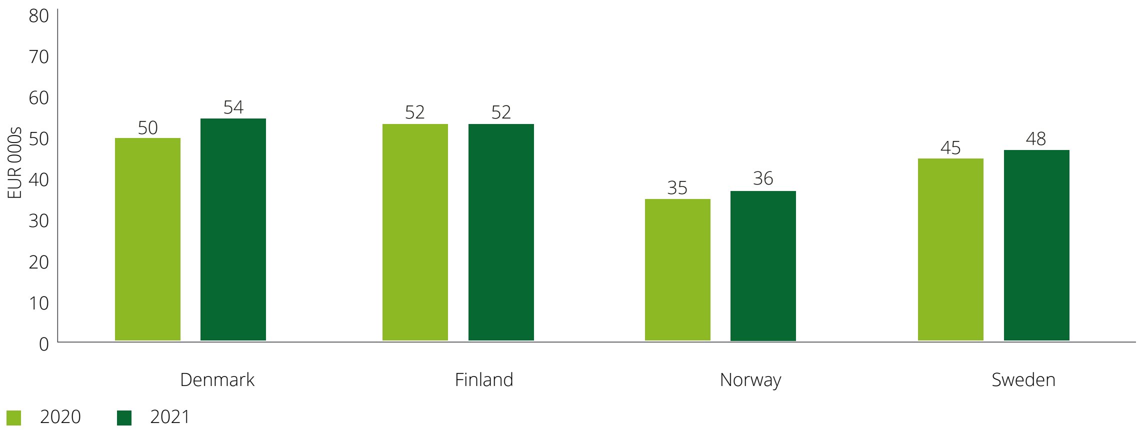
In this final analysis section, we take a look at board remuneration. Data on board member remuneration tends to be better than for executive boards. In 2021, the following number of companies had disclosed their board remuneration:

- Denmark: 45 companies (100%)
- Finland: 34 companies (100%)
- Norway: 19 companies (83%)
- Sweden: 97 companies (94%)

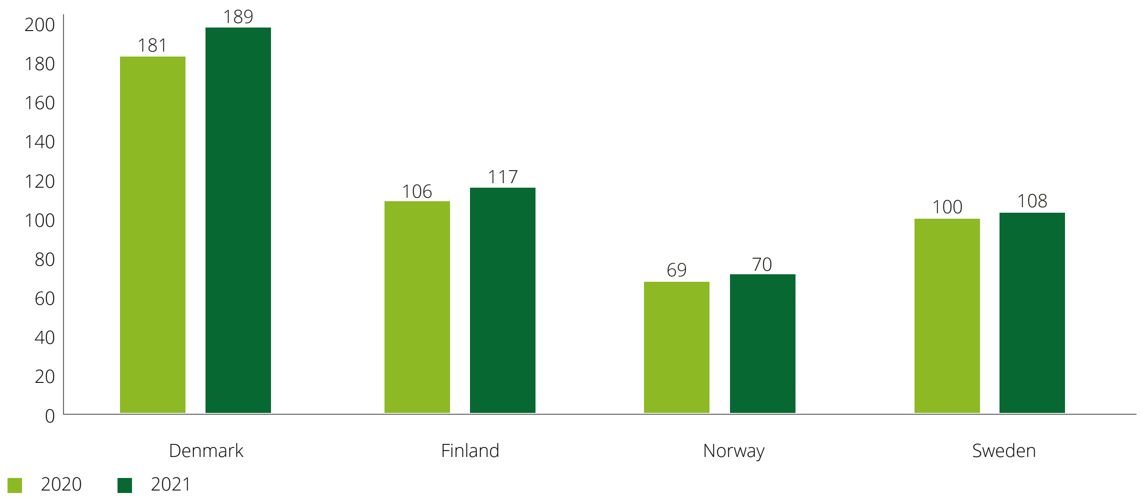
Looking at the development in board member base pay there has been a small increase in 2021 compared to 2020 levels. Median board base pay is similar in Denmark, Finland and Sweden at c. EUR 50-55k, while pay is closer to c. EUR 35k in Norway. Median chairperson pay is highest in Denmark, with 2021 levels at c. 190k compared to c. 110-120k in Finland and Sweden, while it is lowest in Norway at c. 70k.

As can be seen in the table below, median chairperson pay as a multiple of base pay is highest in Denmark and Sweden at 3.0x and 2.5x, while this multiple is closer to 2.0x in Finland and Norway.

Median board member base pay by country



Median chairperson pay by country



Source: Deloitte analysis
Note: Only companies that disclosed total board remuneration over the last two years have been included, leaving 44, 34, 16 and 95 companies in Denmark, Finland, Norway and Sweden, respectively.

2021 Base pay multiples by country

		Pay multiples					
	Member base pay EUR 000s	**Chair person**	**Deputy chair person**	**Audit Co chair**	**Audit Co member**	**Rem Co chair**	**Rem Co member**
Denmark Median	53.7	3.0x	2.0x	1.7x	1.4x	1.4x	1.3x
Average	54.9	3.2x	1.9x	1.7x	1.4x	1.5x	1.3x
Finland Median	51.5	2.0x	1.3x	1.3x	1.1x	1.1x	1.1x
Average	61.3	2.1x	1.3x	1.5x	1.2x	1.3x	1.1x
Norway Median	35.5	1.9x	1.1x	1.5x	1.3x	1.3x	1.2x
Average	49.1	2.0x	1.4x	1.5x	1.3x	1.4x	1.6x
Sweden Median	47.8	2.5x	1.5x	1.4x	1.2x	1.2x	1.1x
Average	54.6	2.7x	1.5x	1.4x	1.3x	1.2x	1.3x

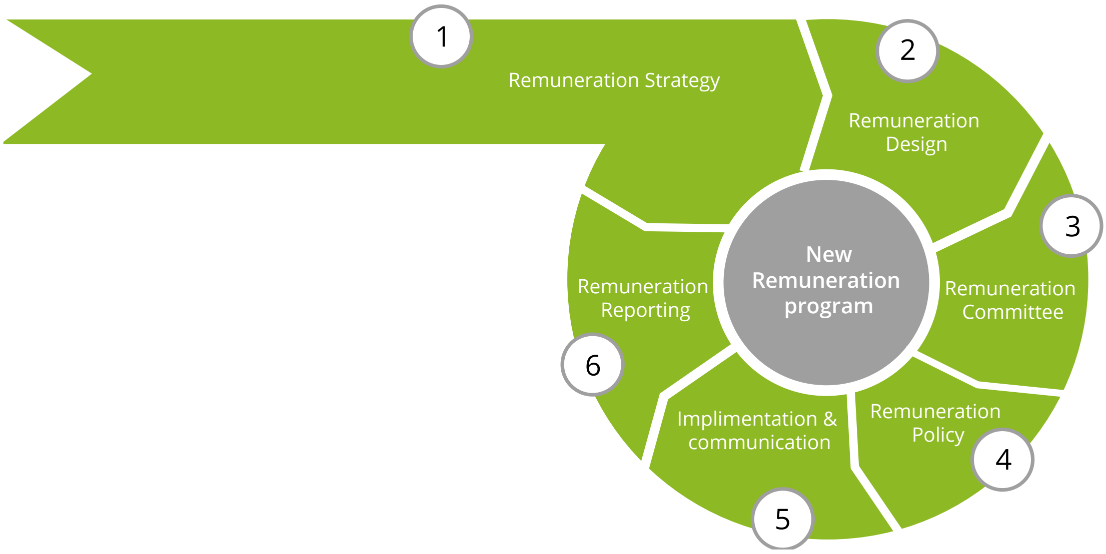
Source: Deloitte analysis

Our approach and how can Deloitte help?

At Deloitte, we guide our clients on remuneration strategy, design, committee work, policy, implementation, communication and reporting.

We cover all aspects of executive remuneration and share plans. Our experienced team includes specialists within human capital, performance management, remuneration and share plan structuring, tax, valuation and accounting specialists, actuaries and lawyers. We provide advice on all areas, including implementation, investor relations, accounting, legal and tax issues. Our practice is built upon an integrated model, linking all of these areas, often fragmented across many staff-functions in the companies that wish to implement incentives programmes.

Our approach:



Our team:

Design	Remuneration committee advisers	Implementation & communication
Strategic plan design	Insight on shareholder views and assistance with consultation	Drafting incentive plan rules
Business relevant performance measures	Updates on market trends and corporate governance	Drafting share scheme participant documentation
Cost effective funding and specialist advice on tax accounting, legal and financial issues	Executive and board pay benchmarking updates	Drafting employee communication documents
All-employee schemes	Assistance with drafting remuneration policies and remuneration reports	Tax assistance, global tax analysis, tax efficient arrangements, tax guides and binding rules

The experience and breadth of our practice means that we have particular strengths in the key areas of investor relations and implementation of incentive schemes.

We also have access to a wide knowledge base within Deloitte – both across borders and within specific industries. This breadth of experience and access to specialist resources allow us to understand your specific situation and customise solutions for your needs.

Our contacts

If you would like further information on any of the areas covered in this report or help in interpreting and using this data, please feel free to contact any of the persons below:

Denmark

Martin Faarborg
Partner
Remuneration Committee Advisory
Audit & Assurance
Tel. +45 21 27 65 58
mfaarborg@deloitte.dk

Tinus Bang Christensen
Partner
Valuation Services
Corporate Finance Advisory
Tel. +45 30 93 44 63
tbchristensen@deloitte.dk

Anja Andersen
Partner
Share-based pay & M&A
Tax & Legal
Tel. +45 30 93 40 32
anjandersen@deloitte.dk

Finland

Vera Campbell
Partner
Global Employer Services
Tax & Legal
Phone +35 840 835 32 87
veera.campbell@deloitte.fi

Emma Hall
Senior Manager
Global Employer Services
Tax & Legal
Phone +35 820 755 56 74
emma.hall@deloitte.fi

Norway

Peter Ringkjob Groth
Partner
Global Employer Services
Tax & Legal
Phone +47 23 27 96 44
pgroth@deloitte.no

Sweden

Torbjorn Hagenius
Partner
Global Employer Services
Tax & Legal
Phone +46 73 397 11 68
thagenius@deloitte.se

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Appendix

Danish companies included in the analysis

1. ALK-Abelló A/S
2. Alm. Brand A/S
3. Ambu A/S
4. A.P. Møller - Mærsk A/S
5. Bavarian Nordic A/S
6. Boozt AB
7. Carlsberg A/S
8. ChemoMetec A/S
9. Chr. Hansen Holding A/S
10. Coloplast A/S
11. Danske Bank A/S
12. Demant A/S
13. DFDS A/S
14. Drilling Company of 1972 A/S
15. DSV A/S
16. FLSmidth & Co. A/S
17. Genmab A/S
18. GN Store Nord A/S
19. H. Lundbeck A/S
20. ISS A/S
21. Jeudan A/S
22. Jyske Bank A/S
23. Københavns Lufthavne A/S
24. Netcompany Group A/S
25. NKT A/S
26. Nordea Bank Abp
27. Novo Nordisk A/S
28. Novozymes A/S
29. NTG Nordic Transport Group A/S
30. Pandora A/S
31. Ringkjøbing Landbobank A/S
32. Rockwool International A/S
33. Royal Unibrew A/S
34. SAS AB
35. Scandinavian Tobacco Group A/S
36. Schouw & Co. A/S
37. SimCorp A/S
38. Spar Nord Bank A/S
39. Sydbank A/S
40. Topdanmark A/S
41. Tryg A/S
42. Vestas Wind Systems A/S
43. Zealand Pharma
44. Ørsted A/S
45. Össur hf

Appendix

Finnish companies included in the analysis

1. Cargotec Oyj
2. Citycon Oyj
3. Elisa Oyj
4. Fiskars Oyj
5. Fortum Oyj
6. Huhtamäki Oyj
7. Kemira Oyj
8. Kesko Oyj
9. Kojamo Oyj
10. KONE Oyj
11. Konecranes Oyj
12. Metso Outotec Oyj
13. Metsä Board Oyj
14. Neles Oyj
15. Neste Oyi
16. Nokia Oyj
17. Nokian Renkaat Oyj
18. Nordea Bank AB
19. Orion Oyj
20. Outokumpu Oyj
21. Qt Group Oyj
22. Revenio Group Oyj
23. Sampo Oyj
24. Sanoma Oyj
25. Stora Enso Oyj
26. Telia Company AB
27. Terveystalo Oyj
28. TietoEVRY Oyj
29. UPM-Kymmene Oyj
30. Uponor Oyj
31. Vaisala Oyj
32. Valmet Oyj
33. Wärtsilä Oyj
34. YIT Oyj

Icelandic companies included in the analysis

1. Arion Bank hf.
2. Íslandsbanki hf.
3. Marel hf.

Norwegian companies included in the analysis

1. Adevinta ASA
2. Aker BP ASA
3. Aker Solutions ASA
4. Bakkafrost P/F
5. DNB Bank ASA
6. Equinor ASA
7. Gjensidige Forsikring ASA
8. Kahoot! ASA
9. Mowi ASA
10. MPC Container Ships ASA
11. Nel ASA
12. Nordic Semiconductor ASA
13. Norsk Hydro ASA
14. Orkla ASA
15. REC Silicon ASA
16. SalMar ASA
17. Scatec ASA
18. Schibsted ASA
19. Storebrand ASA
20. Subsea 7 ASA
21. Telenor ASA
22. Tomra Systems ASA
23. Yara International ASA

Appendix

Swedish companies included in the analysis

1. AAK AB
2. ABB Ltd
3. AddLife AB
4. Addtech AB
5. AFRY AB
6. Alfa Laval AB
7. Arjo AB
8. Assa Abloy AB
9. AstraZeneca PLC
10. Atlas Copco AB
11. Atrium Ljungberg AB
12. Autoliv, Inc.
13. Avanza Bank Holding AB
14. Axfood AB
15. Beijer Ref AB
16. BillerudKornäs AB
17. Boliden AB
18. Boozt AB
19. Bravida Holding AB
20. Bure Equity AB
21. Castellum AB
22. Catena AB
23. Cint Group AB
24. Corem Property Group AB
25. Dometic Group AB
26. Electrolux AB
27. Elekta AB
28. Epiroc AB
29. EQT AB
30. Ericsson AB
31. Essity AB
32. Evolution AB
33. Fabege AB
34. Fast. Balder AB
35. Fastpartner AB
36. Getinge AB
37. Hennes & Mauritz AB
38. Hexagon AB
39. Hexpol AB
40. HMS Networks AB
41. Holmen AB
42. Hufvudstaden AB
43. Husqvarna AB
44. IBM
45. Industrivärden AB
46. Indutrade AB
47. Instalco AB
48. Intrum AB
49. Investor AB
50. Kindred Group AB
51. Kinnevik AB
52. Lagercrantz Group AB
53. Latour AB
54. Lifco AB
55. Lindab International AB
56. Lundbergföretagen AB
57. Lundin Energy AB
58. Lundin Mining Corporation AB
59. Medicover AB
60. Millicom International Cellular S.A.
61. MIPS AB
62. Munters Group AB
63. Mycronic AB
64. Nibe Industrier AB
65. Nolato AB
66. Nordea Bank AB
67. Nordic Entertainment Group AB
68. Nordnet AB
69. Nyfosa AB
70. Pandox AB
71. Peab AB
72. Ratos AB
73. SAAB AB
74. Sagax AB
75. Samhällsbyggnadsbo. i Norden AB
76. Sandvik AB
77. SAS AB
78. SCA AB
79. SEB AB
80. SECTRA AB
81. Sinch AB
82. Skanska AB
83. SKF AB
84. Storskogen Group AB
85. Svenska Handelsbanken AB
86. SWECO AB
87. Swedbank AB
88. Swedish Match AB
89. Swedish Orphan Biovitrum AB
90. Systemair AB

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91. Tele2 AB
92. Telia Company AB
93. Thule Company AB
94. Traton AB
95. Trelleborg AB
96. Troax Group AB
97. Truecaller AB
98. Veoneer SDB
99. Vitrolife AB
100. Volvo AB (AB Volvo)
101. Volvo Car AB
102. Wallenstam AB
103. Wihlborgs Fastigheter AB

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