

Executive Compensation at Deloitte

Delivering global insight and expertise

February 2024



A perspective on the global landscape

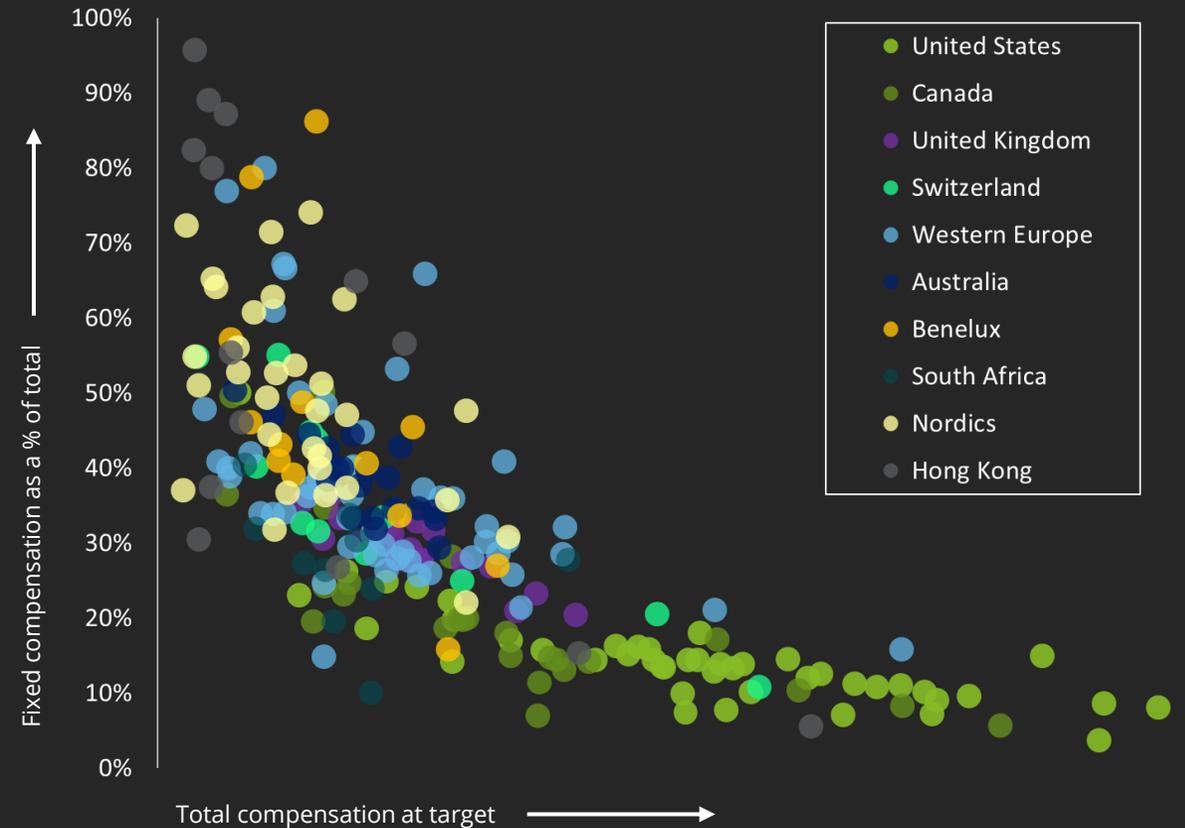
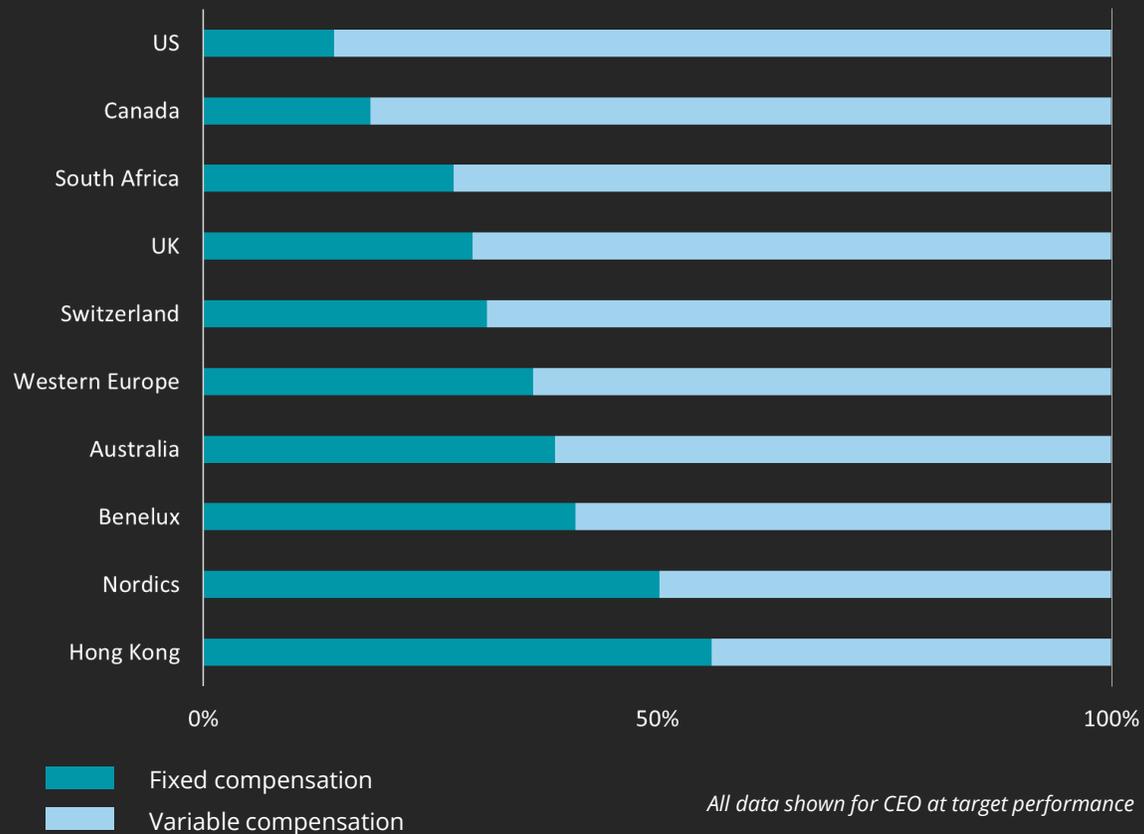
- *All data has been drawn from public disclosures of c. 300 listed companies within a market capitalisation range of \$6bn–\$12bn*
- *Certain countries aggregated for simplicity:*
 - *Benelux comprises Belgium and the Netherlands*
 - *Nordics comprises Denmark, Finland, Norway, and Sweden*
 - *Western Europe comprises France, Germany, Italy, and Spain*
- *Data shown reflects average practice within each geography – positioning of individual companies varies*

01

For senior executives, the balance between fixed and variable compensation varies significantly across markets

Fixed vs. Variable Compensation

Variable compensation makes up a much larger percentage of the overall package in North America, particularly in the US. This reflects significantly higher LTI opportunity. At the other end of the spectrum, Hong Kong, Belgium and Nordic countries, place greater reliance on fixed elements.



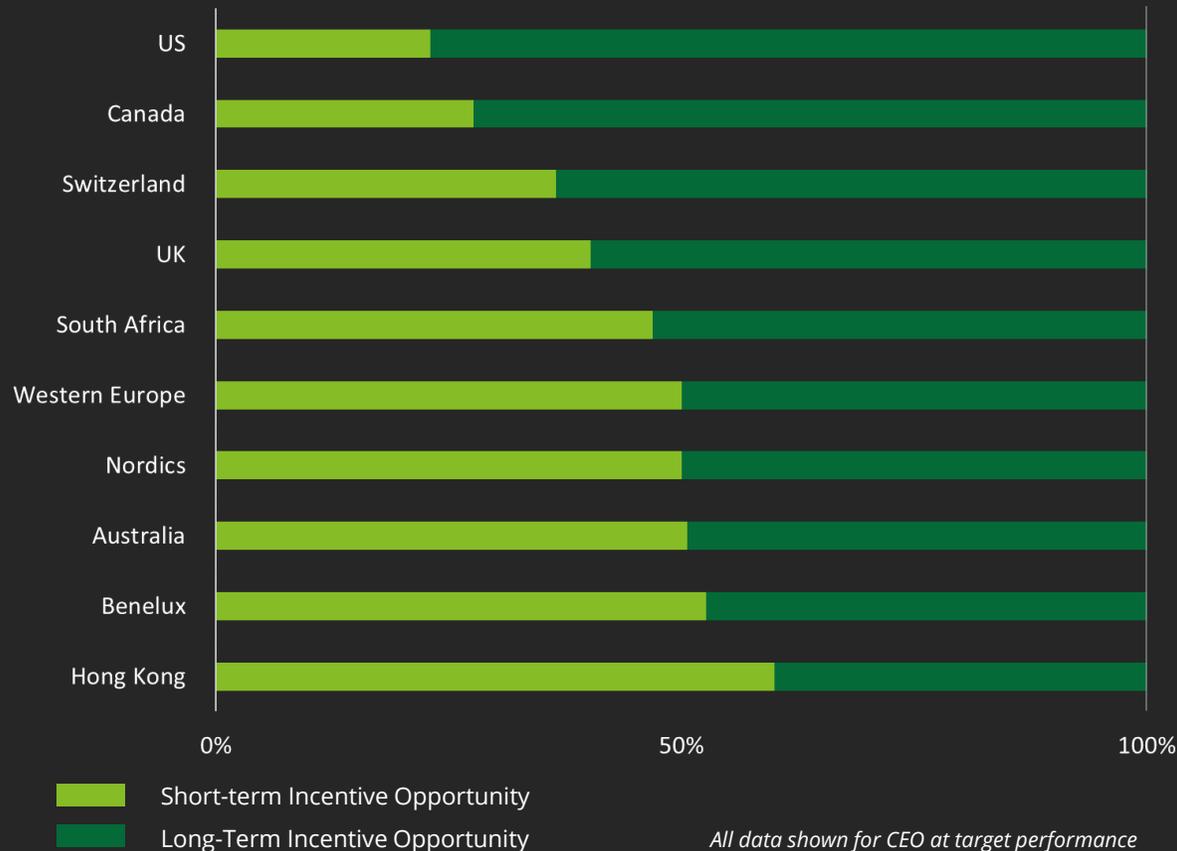
The chart emphasizes how as total compensation increases, it is predominantly driven by an increase in variable, rather than fixed, elements. A clear pattern is apparent moving from North America at one end of the spectrum, through Western Europe, Australia, and South Africa, to Benelux and the Nordics at the other end.

02

Variable compensation will typically comprise a balance of short- and long-term incentive elements. The form of long-term plan varies considerably by geography, albeit performance-based share awards are becoming increasingly common in most markets.

Short-Term vs. Long-Term Incentive Opportunity

North American companies typically place significant emphasis on long-term incentives. While the picture in other geographies is more mixed, in many short- and long-term incentive elements have broadly equivalent weighting.



Long-Term Incentive plan practice

Performance-based share awards are the predominant LTI vehicle globally. Restricted shares and share options are also commonly seen in some markets. Using more than one LTI is minority practice globally, but more common in several markets, notably North America.

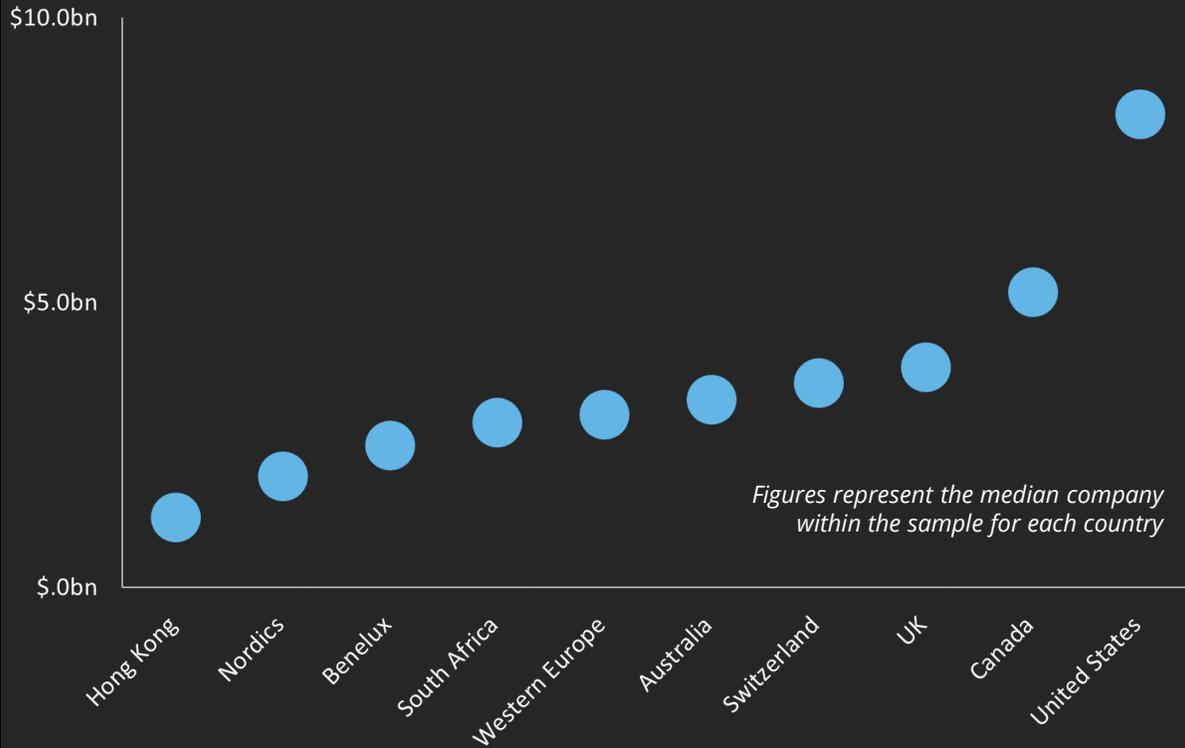
	PSP	RSP	Options	Cash	Matching	2+ LTIs
Australia	76-100%	0-25%	0-25%	--	-	0-25%
Benelux	76-100%	0-25%	26-50%	0-25%	-	26-50%
Canada	76-100%	76-100%	76-100%	-	-	76-100%
Hong Kong	0-25%	0-25%	0-25%	-	-	-
Nordics	26-50%	0-25%	0-25%	0-25%	-	-
South Africa	76-100%	26-50%	0-25%	-	-	26-50%
Switzerland	76-100%	0-25%	-	-	-	-
United Kingdom	76-100%	0-25%	-	-	-	-
United States	76-100%	76-100%	0-25%	0-25%	-	26-50%
Western Europe	76-100%	0-25%	0-25%	0-25%	-	-

76-100% of cos. 51-75% of cos. 26-50% of cos. 0-25% of cos.

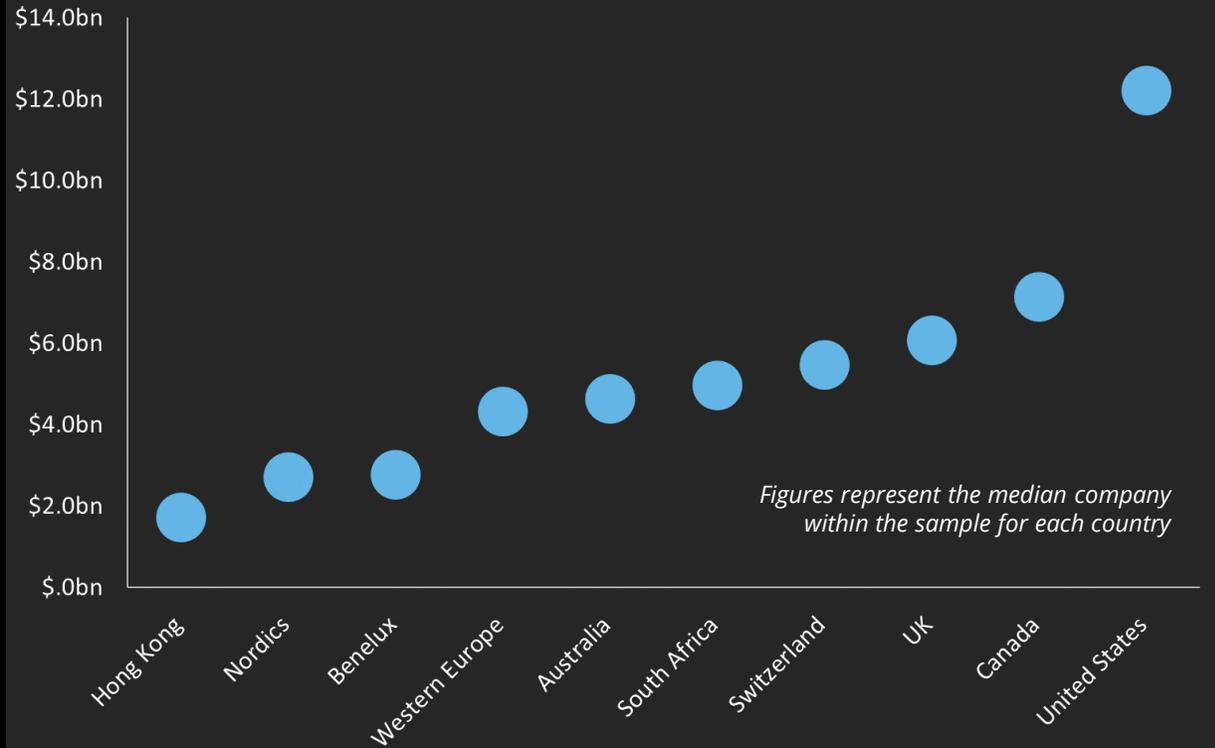
03

Overall levels of remuneration vary widely by geography. The US remains an outlier, with overall levels of compensation that are a step change above other geographies.

CEO Remuneration Opportunity at Target Performance



CEO Remuneration Opportunity at Maximum Performance



Observations

- The US is a clear outlier in terms of overall levels of compensation, particularly at higher levels of performance (due to the additional gearing from higher LTI award levels)
- Differentiation across most of the other markets is relatively limited – eight countries have target total compensation between c. \$2.5m and \$3.5m.

04

Companies are typically subject to a variety of laws, regulations and stakeholder expectations around how they remunerate their executives. The precise nature of remuneration frameworks vary considerably, largely reflecting local market norms

Pay governance and stakeholder expectations

Governance requirements and the expectations of institutional investors and proxy voting agencies vary widely by geography. As a result, companies competing against each other within the same industry can be similar businesses but have senior executive pay arrangements that differ considerably.

	UK	Western Europe	Benelux	North America	Australia	South Africa	Hong Kong
Bonus deferral	●	●	●	●	●	●	●
LTI time horizon	5 yrs	3+ yrs	3+ yrs	3+ yrs*	3-5 yrs	3-5 yrs	3-4 yrs
Shareholding requirements	●	●	●	●	●	●	●
Post-employment shareholding requirements	●	●	●	●	●	●	●
Pension rate – alignment across workforce	●	●	●	●	●	●	●

● Expected and/or majority market practice

● Mixed / minority market practice

● Unusual practice / not required

* Often phased vesting (e.g. 1-3 years)

Note - *excludes* regulatory requirements applicable to Financial Services companies (e.g. deferral and incentive time horizons)

Shareholder oversight

Shareholder oversight and rights with respect to executive remuneration depend on the specific legal and governance requirements in place.

	Policy (ex-ante)		Implementation (ex-post)	
	Binding	Advisory	Binding	Advisory
Australia ¹	-	-	-	✓
Belgium	✓	-	-	✓
Canada	-	-	-	✓
Denmark	✓	-	-	✓
Finland	-	✓	-	✓
France	✓	-	✓	-
Germany	-	✓	-	✓
Hong Kong	-	-	-	-
Italy	✓	-	-	✓
Netherlands	✓	-	-	✓
Norway	✓	-	-	✓
South Africa	-	✓	-	✓
Spain	✓	-	-	✓
Sweden	✓	-	-	✓
Switzerland	-	-	✓	-
United Kingdom	✓	-	-	✓ ²
United States	-	-	-	✓

¹ Under the 'two strikes' rule, Boards may be spilled if they suffer shareholder votes of >25% against their executive pay proposals at two consecutive AGMs. In addition, termination payments to executives above a statutory maximum of one year's remuneration are typically subject to shareholder approval

² Remuneration policy must be resubmitted for binding shareholder approval if implementation vote lost

05

While global markets are at different degrees of maturity around executive remuneration, we are nevertheless seeing common key themes across many of our clients



Strategic and stakeholder alignment

- Recent years have been volatile across many markets and sectors
- This has made it even more critical that a company's executive remuneration framework continues to align with, and encourage delivery of, its key strategic goals and objectives
- As priorities evolve and change in times of challenge, companies are increasingly keeping under review whether their framework remains fit for purpose and able to attract, retain and motivate the talent required



Pay transparency

- Pay transparency laws have now been passed in 10 US states, while in Europe the EU Pay Transparency Directive will take effect from 2026
- These initiatives and others reflect broader societal themes around fairness and equality
- Transparency laws are likely to have significant practical impacts, especially for organisations with a significant global footprint, and we encourage companies to start working through the implications for their business



Global competitiveness

- As seen earlier in this report, the level of executive remuneration seen in the US significantly out-paces other markets
- Added to this, the US economy continues to perform strongly, with the highest forecast growth amongst the G7 in both 2023 and 2024
- In this context, we are seeing many companies in other markets focus on how they can best attract and retain key globally-mobile talent when competing in the US market or against US peers



Expanding role and remit

- Increasingly, boards and remuneration committees are expected to position and consider their executive remuneration decisions within a broader framework than previously
- Pay decisions for senior executives are now rarely made 'in a vacuum'
- Amongst large global companies the role of the RemCo itself is often broadening, with committees having more sight of and discussion around all-employee policies and frameworks



'Hot' roles

- Certain roles and industries are currently in strong demand, putting pressure on remuneration levels for individuals with the right skillsets
- While Digital, Software, AI and Technology-focused roles continue to attract significant competition for talent, but similar trends are also being seen for other specialist roles
- Additionally, these individuals may often have different views and experience of remuneration than candidates who have traditionally operated in the listed environment



ESG

- 'ESG' is a very broad label, covering a range of focus areas and responsible business practices, many of which are highly sector specific
- In many markets, ESG metrics in incentive plans have become the norm
- As stakeholder expectations continue to evolve, companies are increasingly looking to upskill their own approach, with a focus from a reward perspective on selecting the 'right' metrics – namely something that is robust, quantifiable and measurable, and aligned with genuine value creation

Is your approach to executive compensation simple, focussed and consistent with your wider company pay policy and culture?

Is the framework aligned with key strategic goals? Do you currently have the right focus and balance across financial and non-financial metrics?

Does the framework align the interests of executives with those of shareholders and other key stakeholders?

Is compensation currently competitive with your key local and global peers? Do you view pay as a key differentiator or a hygiene factor?

How well do you communicate and disclose your compensation arrangements, internally and externally? Any 'easy wins' available?

How can Deloitte help?

We can leverage our expertise and experience to support on all aspects

Reward philosophy and vision

Incentive framework design and implementation

Internal and external communication

Shareholder engagement

Performance metric selection and target setting

Benchmarking

Market data, context, and insights

Ensuring disclosure and governance requirements met

A long-exposure photograph of a desert road at night. The road is illuminated by a warm, golden light, possibly from a low sun or moon, creating a glow on the horizon. The sky is dark with numerous stars visible. Light trails from vehicles are visible as horizontal streaks of white and red across the middle of the image. The road curves to the right in the distance, where a single bright light source is visible.

Executive Compensation at Deloitte

A global perspective

A global perspective

The executive compensation landscape continues to evolve across the globe. In many countries it is increasingly becoming a subject which is moving out of the boardroom and into a broader discourse within Government, the media and society.

With different markets at varying levels of maturity and shareholder expectations continuing to evolve, companies need to be confident in the quality, consistency and global reach of the advice that they receive.

Deloitte's global scale and expertise in executive compensation, coupled with access to our broader capabilities across the reward and incentive spectrum, provides our clients with this confidence. We are able to identify emerging trends as they happen and provide real-time insight on market practice and shareholder views as they develop.

Our Global Executive Compensation capabilities



Executive compensation is itself just one part of our broader Global Reward & Share Plan presence



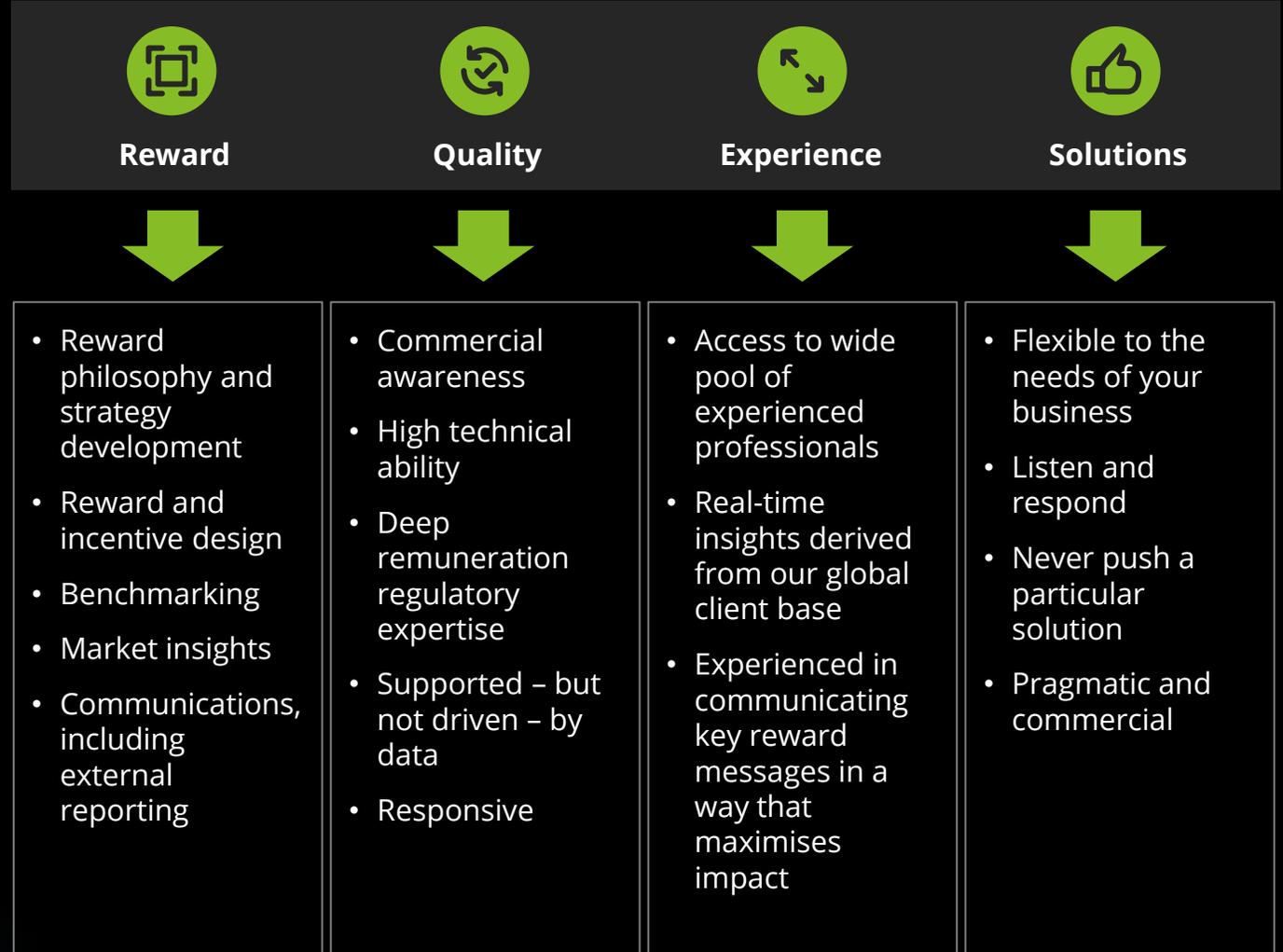
The Deloitte offering

The Deloitte executive compensation consulting practice covers all aspects of senior executive reward.

Consciously built around an integrated model, our team are closely aligned with professionals in adjacent areas including broader workforce reward, share plan services, tax and accounting specialists, actuaries and lawyers – this provides clients with a 'one-stop shop' for all reward and share plan services.

We offer truly global coverage, with teams in over 25 countries and strong presence in the UK, Europe, North America, Asia and Australia.

This breadth of client coverage also ensures that we understand the latest thinking and challenges which companies face in reward design.



Our people – country contacts

Global co-ordination

Europe, Middle East and Africa



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Global Exec Comp, Lead



Austria
Georg Jurceka



Belgium
Sofie Van Breedam



Denmark
Martin Faarborg



Finland
Veera Campbell



France
Franck Cheron



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When you pair with the right team,
magic can happen.

Contact the team at GlobalExecutiveCompensation@deloitte.co.uk



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