Deloitte.

Remuneration in Danish Large-Cap Companies

Benchmarking executive management and board remuneration

2017-2021

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 Danish Large-Cap companies, including significantly increased 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 45 Danish Large-Cap companies.

All Danish Large-Cap companies published separate remuneration reports for 2021 as required by the Danish Companies Act for all listed companies for the second reporting year. Our report provides an updated overview of the regulatory and reporting requirements of the Shareholder Rights Directive (SRDII) in Denmark. We describe these requirements and updated guidelines and provide our benchmarking survey insights on Danish remuneration disclosure practices for 2021. While there are a wide range of practices, and variation in the quality of remuneration disclosures, we note that Danish Large-Cap companies, overall, have increased the level of disclosure in their remuneration reports. Additionally, all remuneration reports were adopted at the annual general meetings (AGMs), except for one. However, there is still room for improvement—29% of the Danish Large-Cap companies can still further enhance their 'pay for performance' disclosures. We have also seen market reporting practice alignments where 96% disclosed 'granted pay' for their long-term incentive (LTI) plan in 'the single figure table' and 76% of the remuneration reports received an assurance report from the independent auditor.

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 Denmark
June 2022

Content overview

This report gives an overview of and insight into remuneration of executive directors and boards of listed companies within the Danish Large-Cap Index . At the end of March 2022, the Danish Large-Cap[1] companies comprised 45 companies, the names of which are listed in the appendix of this report. These companies represent some of the largest Danish companies, or companies with a large presence in Denmark and which are listed in Denmark, from a wide range of industries, including consumer, energy, life sciences and financial services.

From April 2021 to March 2022, five new companies became 'Danish Large-Cap companies': Boozt, ChemoMetec, NKT, NTG Nordic Transport Group and SAS.

Out of the companies analysed, 41 had financial year-ends as of 31 December, while four companies (Ambu, ChemoMetec, Chr. Hansen and Coloplast) had financial year-ends of either 30 June, 31 August, or 30 September. All companies had published their 2021 remuneration reports by the end of April 2022. Our report is therefore based on data from 45 companies.

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 five comparative years. For all the analysed benchmarks, we report the number of companies for which the required data have been reported with the required level of detail to be included in our analysis. The companies included in this analysis all report in accordance with International Financial Reporting Standards (IFRS). Financial reporting on remuneration of executives is more specifically governed by IFRS 2 and the Danish Financial Statements Act. Remuneration of executive directors is required by IFRS to be disclosed on both fixed and variable elements for executive management.

All Danish Large-Cap companies published a separate remuneration report as required by the Danish Companies Act for all listed companies for the second reporting year. Reporting practice for long-term incentive plan (LTI) numbers in the remuneration reports aligned for the Danish Large-Cap companies in 2021. 96% disclosed 'granted pay' for their long-term incentive (LTI) plan in 'the single figure table' (linked to their remuneration policy), 2% disclosed 'expensed pay' (linked to the financial statements) and 2% reported 'exercised pay' (linked to final outcomes for executives). The basis for comparability of 'granted pay' has therefore improved compared to our basis for the 2020 data analysis last year. However, still our 2021 data analysis does not provide 100% comparability across the companies for LTI. 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 Danish 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.

1 Nasdaq OMX Copenhagen Large-Cap Index. The index was comprised of 48 share listings, of which three were listings of multiple share classes (45 individual companies) as of 31 March 2022. The index includes Danish listed companies with a market cap above EUR 1bn.

Key findings

Deloitte's annual 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 increased compared to last year

Variable pay: 40%
(2020: 36%)
Fixed pay: 60%
(2020: 64%)

- Variable remuneration of executive directors comprises 40% of total remuneration – a 4%-point increase compared to last year
- Variable remuneration, in the form of bonuses and long-term incentives, has increased since 2017 when it formed 34% of total remuneration
- Extraordinary remuneration for CEOs increased to DKK 70 million in 2021, compared to DKK 46 million in 2020

2. Base salaries

Median annual base salary changes

CEOs: 4.5%
(2020: 2.1%)
CFOs: 2.2%
(2019: 2.6%)

- CEO base salaries increased in 2021 by 4.5% compared to 2020 (2.1%), and thereby accelerating the previous trend of an annualised increase of 3.3% since 2017
- CFO base salaries increased in 2021 by 2.2%. We note that the CFO base salary increase in 2020 was 2.6% and since 2017 the average annualised salary increase has been 4.4%

3. Annual bonus

Median bonus as percentage of base salary for all executive directors

2021: 52%
2020: 51%

- Median bonus pay-outs as a percentage of base salary increased from 44% in 2017 to 52% for all executive directors in 2021
- Maximum bonus allocations as a percentage of base salary increased to an average of 76% (2020: 74%) for CEOs and decreased to 65% (2020: 70%) for other executive directors in 2021

4. Long-term incentives

Median LTI allocation as percentage of base salary for all executive directors

2021: 58%
2020: 39%

- Allocation of long-term share-based payments as a percentage of base salary have increased significantly from 39% to 58% across all executive directors between 2017 and 2021
- Performance and restricted share units as well as options and warrants remain popular forms of long-term share-based payment
- Vesting criteria disclosure have improved in 2021, however still 29% of the Danish Large-Cap companies can still work further on 'pay for performance' disclosures

5. Board pay

Median total board pay was DKK 6.5m (2020: DKK 5.8m)

- Average board member pay, including committee fees, was DKK 0.75m (2020: DKK 0.70m)
- Median total pay for chairpersons was DKK 1.40m (2020: DKK 1.34m)
- Median total board pay was DKK 0.7m higher in 2021 compared to 2020

6. Board diversity

Percentage of female board members in Danish Large-Cap was 34% (2020: 33%)

- There were also two female chairs in Danish Large-Cap companies in 2021 as in 2020
- 18% of deputy chairpersons were female in Danish Large-Cap companies (2020: 16%)

Key trends, tendencies, practices and regulation in Denmark

The Danish market environment
Danish management remuneration practices vary more widely across companies. This is evident from the variety of bonus and long-term incentive approaches, as well as in other remuneration policy 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. Variable pay of executives comprises 40% of total remuneration — a 4%-point increase compared to last year. Extraordinary remuneration for CEOs increased again to DKK 70 million in 2021, compared to DKK 46 million in 2020 (2019: DKK 192 million), e.g. sign-on fees, compensation for additional taxes of foreign CEOs and severance pay.

While there is a wide range of practice and quality of remuneration disclosures, we note that the Danish 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. Our survey, however, still shows that 29% of the Danish 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).

With the better and more disclosure in the remuneration report for 2021, we have for the second time developed a view on whether there is alignment on 'pay for performance'. Therefore, we have analysed the development in total executive remuneration granted over the last five years against the company's average annual total shareholders return (TSR) over the same period. This will also be a focus area in 2022 and beyond.

All 45 Danish Large-Cap companies published a separate 2021 remuneration report on their website as required by the Danish Companies Act, including disclosure of individual salaries for executives registered with the Danish Business Authority. 96% of the 45 companies disclosed 'granted pay' for their long-term incentive (LTI) plan in 'the single figure table'. Finally, 76% of the companies' auditors performed and reported on a compliance check or an audit of the numbers in the remuneration reports.

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'). 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'.

Danish listed companies have implemented SRDII in the form of the requirements in section 139b of the Danish Companies Act for their remuneration report. These disclosure requirements can be summarised as follows:

"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

- 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
- 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 Denmark. From a Danish perspective, we expect Danish 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 Denmark. Therefore, in 2022 and beyond, we expect to see an increased focus on executive remuneration from Danish policy makers, regulators, shareholders, proxy advisors and the media.

The Danish implementation of the Shareholder Rights Directive (SRDII) has brought about sweeping changes to Danish 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 Danish market, and prominent proxy advisors have more focus on executive remuneration for Danish listed companies.

Danish executive remuneration practices will continue to develop over the coming years. 2020 marked the first year that Danish listed companies were required to prepare their remuneration policies under SRDII. Danish 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). Given the scope and complexity of SRDII, considerable effort was required of Danish listed companies to comply with these significant hard law requirements for the first time, and now for the second time for 2021.

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[2] . 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.

On 21 April 2021, the European Commission (EC) published a significant proposal for a Corporate Sustainability Reporting Directive (CSRD)[3]. 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[4]. 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 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.

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) of companies listed on stock exchanges[7]. 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[8]. 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

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

3 EC publishes proposed Corporate Sustainability Reporting Directive by Deloitte, 21 April 2021

4 EFRAG launches consultation on first set of European Sustainability Reporting Standards by Deloitte, 17 May 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 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

8 Gender balance on corporate boards from the EU Council - 14 March 2022

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[9]. 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 Denmark, 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.

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

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

(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
- What do you see as the short and long-term impacts of Russian divestment/supply chain decisions on performance and target setting?
- How are you considering granting share awards in the face of high levels of market volatility?

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?

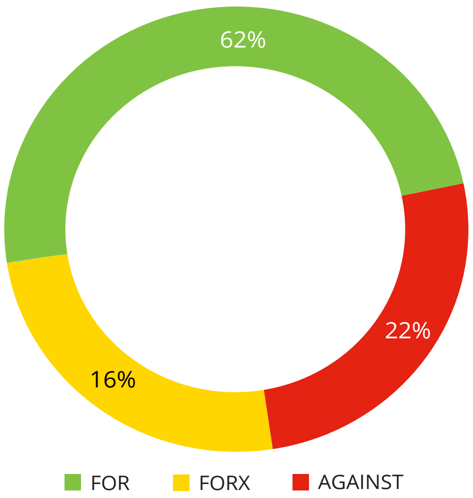
Future of work – Diversity, inclusion, and wellbeing
- How are you working with the shifting expectations of employees and the importance of culture in creating an engaged and productive workforce?
- How are you addressing that the workforce is demanding companies to have a view on social issues, and 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?

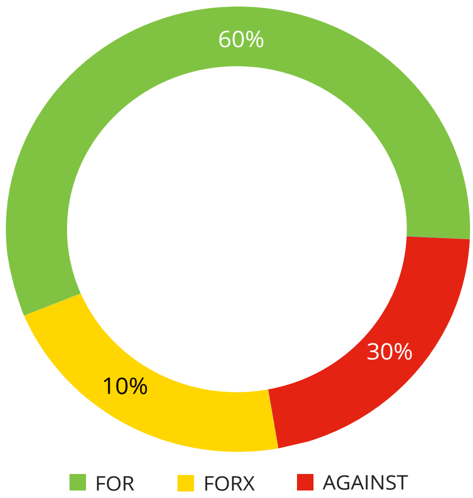
2022 AGM season for Danish Large-Cap companies
The 2022 AGM season marked the second time the Danish Large-Cap companies were required to prepare their remuneration reports in accordance with the Shareholder Rights Directive (SRDII) and its implementation within the Danish Companies Act.

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 the Danish Large-Cap companies, for annual general meetings held between October 2021 and April 2022.

Remuneration report



Remuneration policy



Of the 45 AGM resolutions for remuneration reports tabled, ten companies had significant issues identified by ISS, which resulted in a vote 'Against' recommendation. A further seven companies received support but not without comments ('ForX') from ISS. The remaining companies received a vote 'For' recommendation with no further comments.

During the 2022 AGM season, 20 resolutions to approve or amend remuneration policies were put to a shareholder vote. Of these, six received a recommendation of vote 'Against' and two received support but with 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, significant issues were flagged for c.30% of policies, compared with c.22% last year.

All remuneration resolutions, apart from one, received at least majority support and were adopted, although three companies received a vote below 90% for the remuneration policy and four companies received a vote below 90% for the remuneration report. One Large-Cap company received a vote of just 47.3% for the remuneration report, 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. 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.

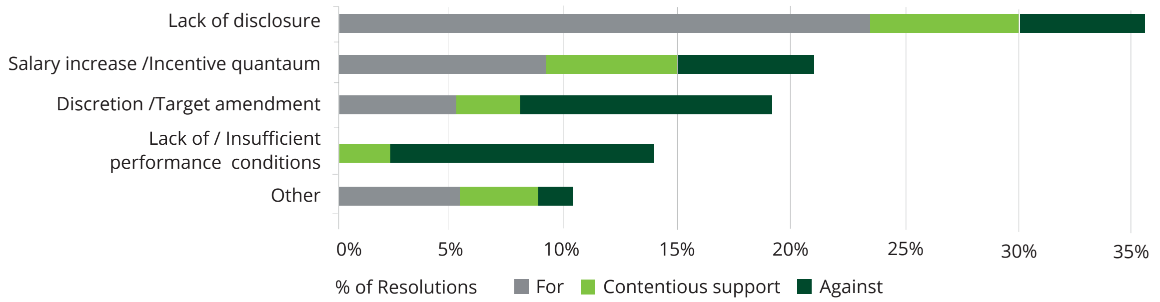
Discretionary payments: Where the policy allowed for discretionary bonuses or payments (in some cases upon recruitment) to be awarded to executives.

Lack of performance criteria: Absence of performance criteria, including policies which use restricted stock as part of a long-term incentive arrangement and where performance criteria were absent on incentives awarded in the year.

Other: Although less common, ISS also raised issues with short performance periods, vesting schedules, indemnification, and severance provisions.

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

Danish remuneration voting issues - 2022 AGM season (as of end of May 2022)



performance conditions was less prevalent but almost always resulted in a "vote Against" recommendation. 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[10] 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 Danish law

On 4 April 2019, the Danish Parliament approved the Shareholder Rights Directive to be effective in Denmark from 10 June 2019, setting out new requirements for the remuneration policy and the remuneration report in sections 139, 139a and 139b of the Danish Companies Act. The disclosure requirements for the remuneration report from section 139b(3) 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
- 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[11] with the aim to help companies by providing illustrative examples

10. European Commission draft Guidelines on the standardised presentation of the remuneration report
11 Danish Business Authority, Vejledning om selskabslovens krav til børsnoterede selskabers vederlagspolitik og vederlagsrapport, November 2021

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, 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 must be explained in the next remuneration report. Denmark, unlike some other EU member states, has allowed small and medium-sized listed companies (defined in terms of size as accounting classes B and C (medium) in the Danish Financial Statements Act) to submit the report for discussion at the AGM, rather than an advisory vote.

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

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'.

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

While all remuneration reports for 2021 for the Danish Large-Cap companies are generally reported to follow the Danish Companies Act, we anticipate that most Danish listed companies will align further with best practice in Denmark, building on the existing trend for more detailed disclosure observed in existing Danish remuneration policies and remuneration reports, but also with an eye towards UK reporting practices.

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 the most common concern for the Danish 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." In Denmark, we generally have employee representation on boards – so 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. Due to COVID-19, 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 Denmark, 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 Denmark 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 common in a number of member states and are becoming increasingly common in Denmark. 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 few years, most importantly for 2020, with companies providing greater detail on the measures and, in some cases, the targets used in short- and long-term incentive plans. We have observed more companies providing ex ante disclosure of the measures and targets (particularly where a market-based measure such as TSR is used) and 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 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 Danish 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.

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 Danish Companies Act, 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 Danish 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—29% of the Danish Large-Cap companies can still further enhance their 'pay for performance' disclosures (2020: 33%).

All Danish Large-Cap companies published a separate 2021 remuneration report on their website as required by the Danish Companies Act.

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
- 24% mentioned diversity and/or inclusion policies, initiatives, or targets in their 2021 remuneration report
- 16% 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
- 4% mentioned succession planning as a key initiative in their 2021 remuneration report

Assurance on the remuneration report
As part of their audit of Danish listed companies' annual reports, the company's independent auditors shall, in accordance with section 147 of the Danish Companies Act, 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 Danish Companies Act ('compliance check'). This work is based on a disclosure checklist based on section 139b(3) of the Danish Companies Act. 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 section 139b of the Danish 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.

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 assurance, but a statutory statement to the Board for 24% (2020: 27%)
2. Reasonable assurance report on Management´s compliance with section 139b(3) for 13% (2020: 20%)
3. Consistency check as part of audit and reasonable assurance report on Management´s compliance with section 139b(3) for 44% (2020: 33%)
4. Audit report on certain numbers and reasonable assurance report on Management´s compliance with section 139b(3) 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%). Review of certain of the numbers, i.e. a limited assurance report has not been applied in practice in Denmark.

At Deloitte, 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 Danish Financial Supervisory Authority expect or require this.
Boards 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.

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 metrics and targets in executive remuneration

The EU's Sustainable Finance Disclosure Regulation came into effect on 10 March 2021, redefining ESG disclosures and escalating consideration of ESG in the investment process. Proxy advisors and investors have recently included updates on the use of ESG metrics in their guidance. Executive pay can play a part in focusing the attention of the board on driving ESG ambitions and delivering the 'tone from the top'.

ESG and executive pay - an investor perspective…

'The remuneration committee should disclose **how it has taken into account any relevant environmental, social and governance (ESG) matters when determining remuneration outcomes.** Such factors may include (but are not limited to): workplace fatalities and injuries, significant environmental incidents, large or serial fines or sanctions from regulatory bodies and/or significant adverse legal judgments or settlements.' **ISS Proxy Voting Guidelines Continental Europe, November 2020**

'Remuneration committees should consider including strategic or non-financial performance criteria in variable remuneration, for example relating to ESG objectives, or to particular operational or strategic objectives. **ESG measures should be material to the business and quantifiable.** In each case, the link to strategy and method of performance measurement should be clearly explained.' ***The Investment Association, November 2020***

Many surveys indicate that companies have already been negatively impacted by climate change and are feeling increasing pressure from stakeholders and customers to act. If companies' green progress, initiatives and impacts are to gain momentum, the climate goals should be included in management's bonus programme.

Our recent global report from January 2022[12] 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 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?

ESG in Executive Remuneration for Danish Large-Cap companies
In the Danish and wider European market, there is a marked increase in the focus on ESG in executive pay in recent years. Amongst the Danish Large-Cap companies, approximately 40% incorporated ESG metrics into either the bonus or long-term incentive plans based on our 2021 remuneration reporting analysis, which was a significant increase compared to 20% in 2020.

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

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 second year of remuneration reporting required for Danish listed companies under the Shareholder Rights Directive and its implementation into the Danish Companies Act.

12 Deloitte Global CXO Sustainability Report – January 2022

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 illustra-tive 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

“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

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 Danish 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 Danish Large-Cap Index. 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 Danish Large-Cap Index. 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..

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 45 Danish-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 five financial periods that have been published. Our analysis therefore attempts to reflect, as accurately as possible, the salary levels effective for the financial years 2017 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 all five years have been included, leaving 41, 37, 23 and 16 companies for all executive directors, CEOs, CFOs and Other Executive Directors, respectively. 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 all five years have been included. This includes 46, 23 and 52 individuals for the CEO, CFO and Other Executive Directors categories, respectively. 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. In 2021, 131 observations are included, although for 59 individuals, a pension did not form a part of the remuneration.

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 LTI analysis, we exclude cash bonus schemes, leaving 74 separate, active programmes.

For the analysis of board pay, we count each company as an observation. 42 companies disclose total board remuneration for each of the last five years, while 37 companies disclose remuneration of the chairperson for each of the last five years, while all 45 companies provide a full breakdown of the remuneration of each individual board member for 2021.

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 executive directors

Total remuneration

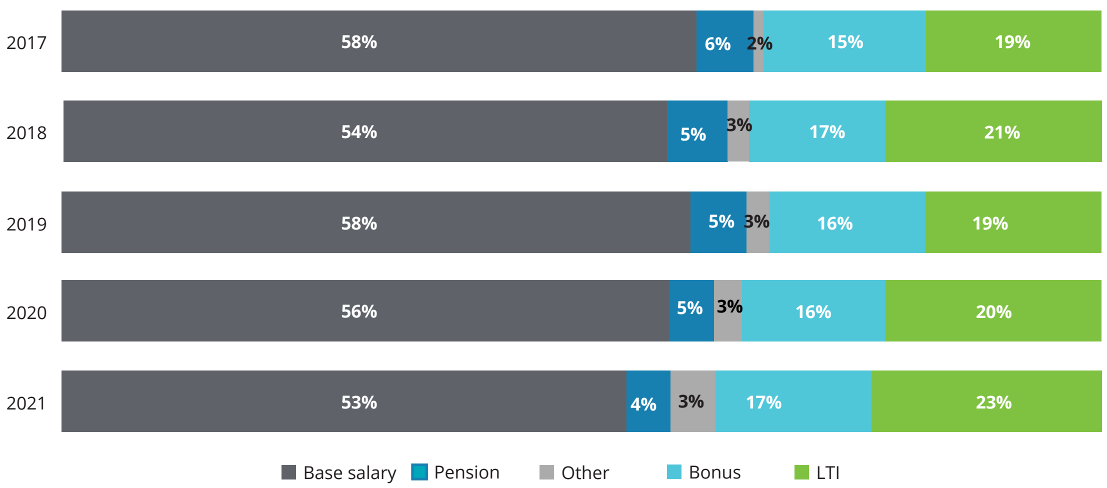
According to IFRS, executive remuneration must be disclosed in the company's annual report, and further details per individual executive director are to be provided in the new remuneration report from 2020 onwards. The level of detail that companies disclose however still varies, with some companies disclosing remuneration for each executive director, while others disclose remuneration only for the group of 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 highlight the level of executive compensation detail disclosed across different groups in 2021:

Companies disclosing a remuneration breakdown:

The total executive board	45 of 45	100%
CEOs	46 of 46	100%
CFOs	32 of 32	100%
All individual executive directors	22 of 22	100%

Below we show the composition of executive director remuneration for the last five years. Around 53% of executive directors' total remuneration consisted of base salary in 2021 (2020: 56%), while variable pay (bonus and LTI) comprised around 40% (2020: 36%). Over the last five years, the split between fixed and variable pay has remained relatively steady, but with an increase in 2021. Average base salary of executive directors increased during this period (see analysis of base salary below), while bonus and LTI payments also increased.

Remuneration of executive directors



Source: Deloitte analysis
Note: Companies that did not disclose executive management remuneration split have been excluded. Only companies for which executive director remuneration was disclosed in each of the last five years have been included. This includes 41 companies. Note also that numbers are rounded.

Extraordinary remuneration for CEOs

We have also evaluated the levels of extraordinary remuneration paid to CEOs in this report. We found that extraordinary remuneration increased in 2021 to DKK 70m across nine companies, compared to DKK 47m in 2020 across also nine companies.

A tax equalisation benefit to the CEO of Lundbeck accounted for 49% of the extraordinary remuneration paid across CEOs in 2021, compared to 6% in 2020.

Sign-on bonuses at three companies (Chr. Hansen, NKT and Simcorp) accounted for 21% of the 2021 extraordinary CEO remuneration, while in 2020 sign-on bonus payments to three CEOs (Chr. Hansen, Novozymes and NKT[13]) accounted for 20% of the total.

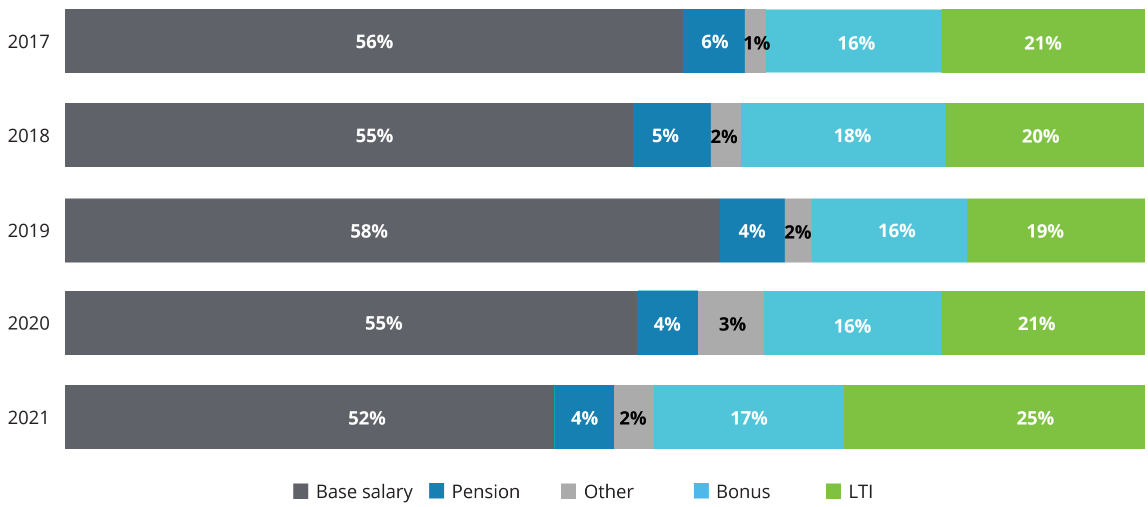
Severance payments counted for smaller portion of the total in 2021, with payments to two CEOs (FLSmidth and Scandinavian Tobacco) making up 20% of the total, versus 49% in 2020 where payments were made to two outgoing CEOs (ChemoMetec and ISS).

The remaining 9% in 2021 relates to other extraordinary bonuses in connection with IPOs, M&A transactions (Drilling Company and Tryg) or other events (COVID-19 bonus at Chemometec). In 2020, 6% of the total extraordinary remuneration for CEOs was M&A-related (Tryg) or retention/loyalty bonus-related (Boozt and Rockwool).

Extraordinary remuneration has been excluded from our variable pay trends analysis. However, it is included in the totals for executive remuneration in 2021 and 2020. Please note this when interpreting the data.

The figure below shows that CEOs received between 35% and 42% of their remuneration in the form of variable pay between 2017 and 2021. Similar to executive directors, CEO variable remuneration in general has been relatively stable over the past five years, but has seen a 4%-point increase from 2020 levels and represents a 7%-point increase from its lowest level in 2019.

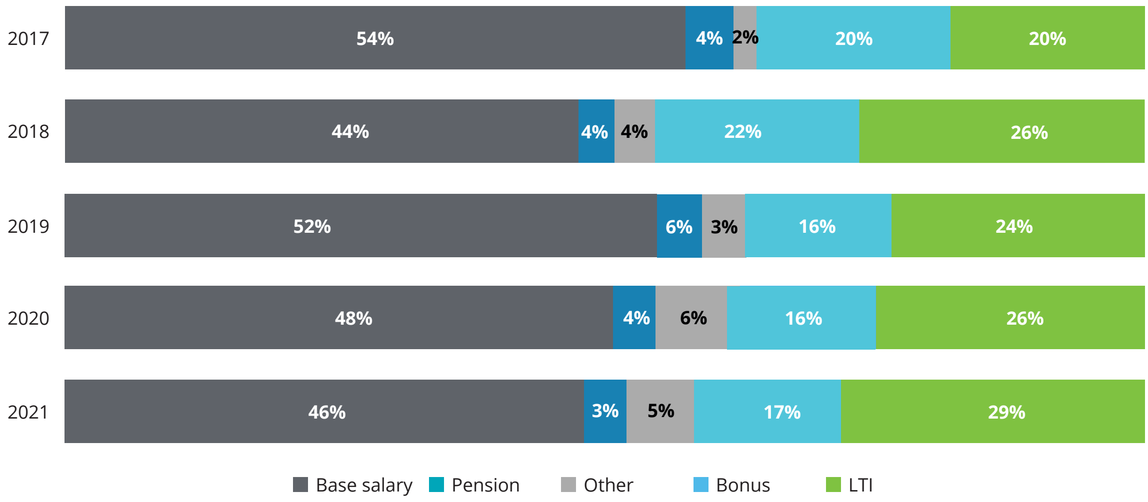
CEO remuneration



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 last five years have been included. This includes 37 companies (38 observations as GN Store Nord has two CEOs). Note also that numbers are rounded.

13 Joined in 2019, but the CEO received his sign-on bonus over two years.

CFO remuneration



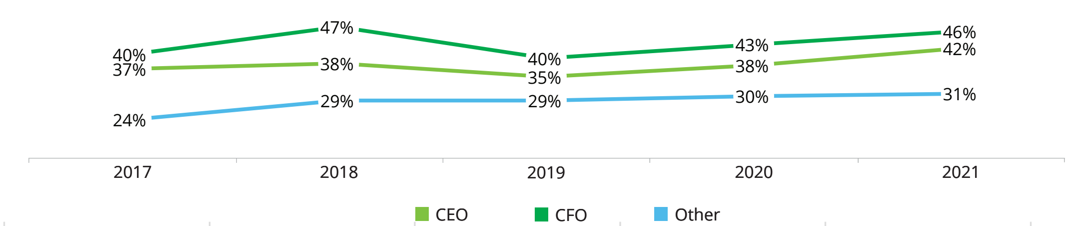
Source: Deloitte analysis
Note: Companies that did not disclose their CFO's remuneration split have been excluded. Only companies for which CFO remuneration was disclosed in each of the last five years have been included. This includes 23 companies.

A similar analysis for CFOs reveals that variable pay made up 46% of their total pay package in 2021, an increase of 4%-points compared to 2020, and 7%-points higher compared to the five-year period's lowest level in 2019.

By comparing the development of variable pay over time for CEOs, CFOs and Other Executive Directors, we observe that CFOs have received a higher proportion of their total remuneration as variable pay compared to CEOs and Other Executive Directors, due to their relative lower base salary. Variable pay across all three groups appears to be more in line with 2018 levels after having increased in both 2020 and 2021 from relatively low levels in 2019.

Having established an overview of the components of the executive remuneration package, we now take a closer look at the different elements of the remuneration.

Variable pay



Source: Deloitte analysis
Note: The samples of CEOs, CFOs and Other Executive Directors are not of the same size, since we have excluded companies that did not disclose individual remuneration for 2017-2021. The chart is based on 37, 23 and 16 companies for CEOs, CFOs and Other Executive Directors, respectively. Note that for CEOs, we include 38 observations as GN Store Nord has two CEOs

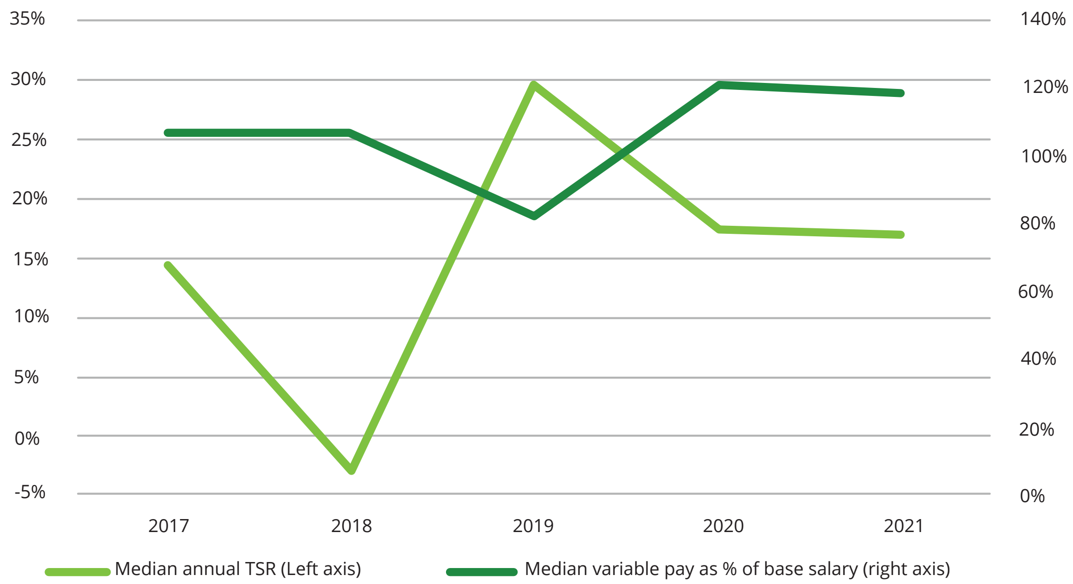
Development in variable pay vs total shareholder return (TSR)
In this section we have looked at the link between TSR (share price return plus dividend yield) and variable pay granted to CEOs over the period 2017 to 2021.

In the charts below we plot TSR against the variable pay as a percentage of base salary and against variable pay in absolute (DKKm) terms. As can be seen, we observe no clear link or correlation between TSR and variable pay granted to CEOs, either as a percentage of base salary or in absolute terms. We do note that there is decline in TSR in 2018 reflecting the sell-off in equity markets at the end of the year. Markets rebounded the following year, but over this period, and indeed over the full five-year period, we see relatively stable variable pay as a percentage of base salary. This could reflect the non-TSR based vesting criteria, such as other financial KPIs, smoothing the overall achievement bonus and LTI performance targets.

TSR is and should be more volatile than the more stable development in variable pay of CEOs, however over time we would argue for aiming for a clearer alignment of 'pay for performance' and greater shares of granted variable pay, which would results in more volatile vesting outcomes over a longer five to seven year period.

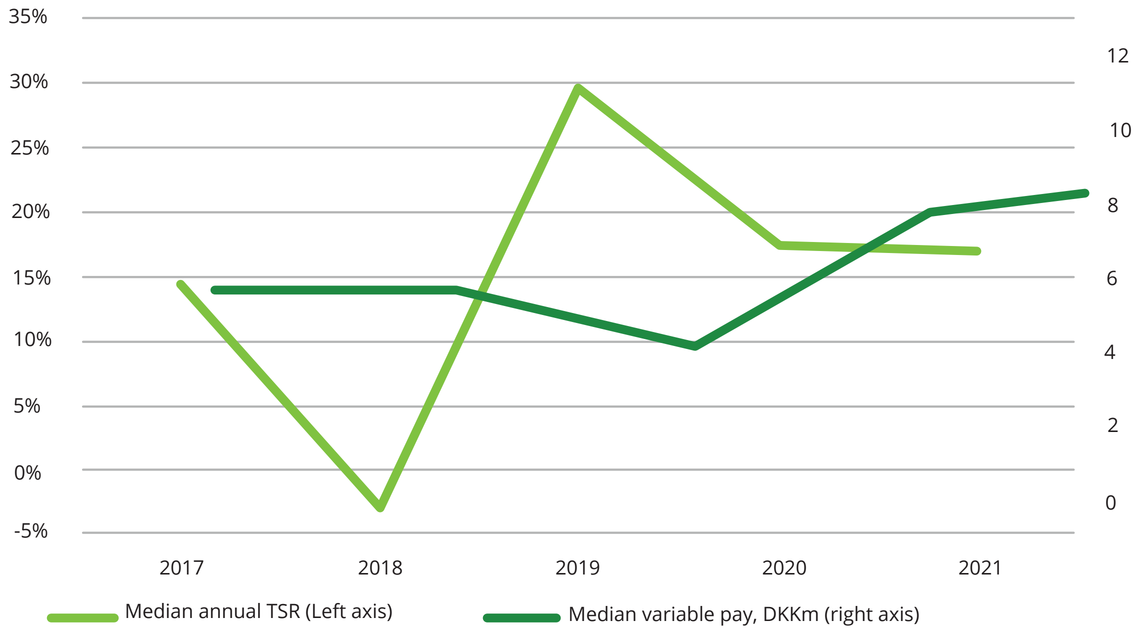
We believe that finding the 'right' KPIs that drive value creation and reflecting these in incentive programmes should be an important point for companies to work on over the coming years and decade(s). We believe that the answer will be found through strategic discussions of what drives long-term value creation in the future. This will include market-based KPIs (for examples 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, including ESG data, metrics and targets).

CEOs: Development in annual TSR against variable pay as a percentage of base salary



Source: Nasdaq Copenhagen, S&P Capital IQ, Deloitte analysis
Note: We have included all variable remuneration observations (bonus and/or LTI allocations) in each year and as such, the sample of companies included varies per year. In 2021, the sample includes 29 bonus observations and 30 LTI observations. TSR is measured as the annual median share-price return plus the annual dividend yield of all listed companies in each year, based on fiscal year data for each company (which in most cases end on 31 December) from S&P Capital IQ.

CEOs: Development in annual TSR against median variable pay



Source: Nasdaq Copenhagen, S&P Capital IQ, Deloitte analysis
Note: We have included all variable remuneration observations (bonus and/or LTI allocations) in each year and as such, the sample of companies included varies per year. In 2021, the sample includes 29 bonus observations and 30 LTI observations. TSR is measured as the annual median share-price return plus the annual dividend yield of all listed companies in each year, based on fiscal year data for each company (which in most cases end on 31 December) from S&P Capital IQ.

"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."

Martin Faarborg
Remuneration Committee Advisory Leader in Deloitte Denmark

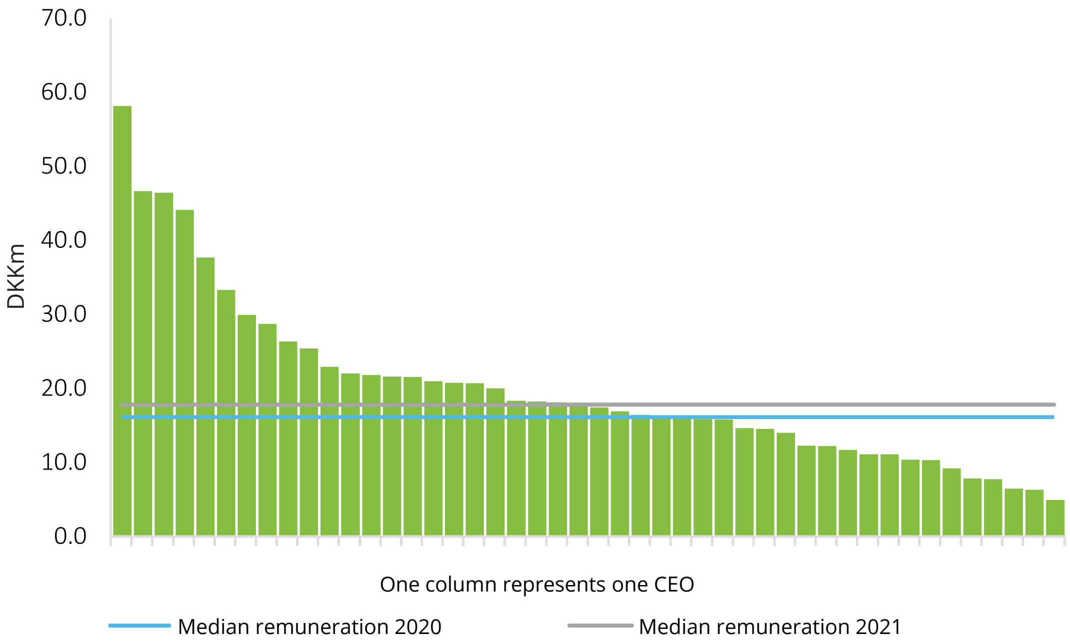
Development in total remuneration – 2020 vs 2021

Below we have included an analysis of the development of total executive remuneration for CEOs, CFOs and Other Executive Directors from 2020 to 2021.

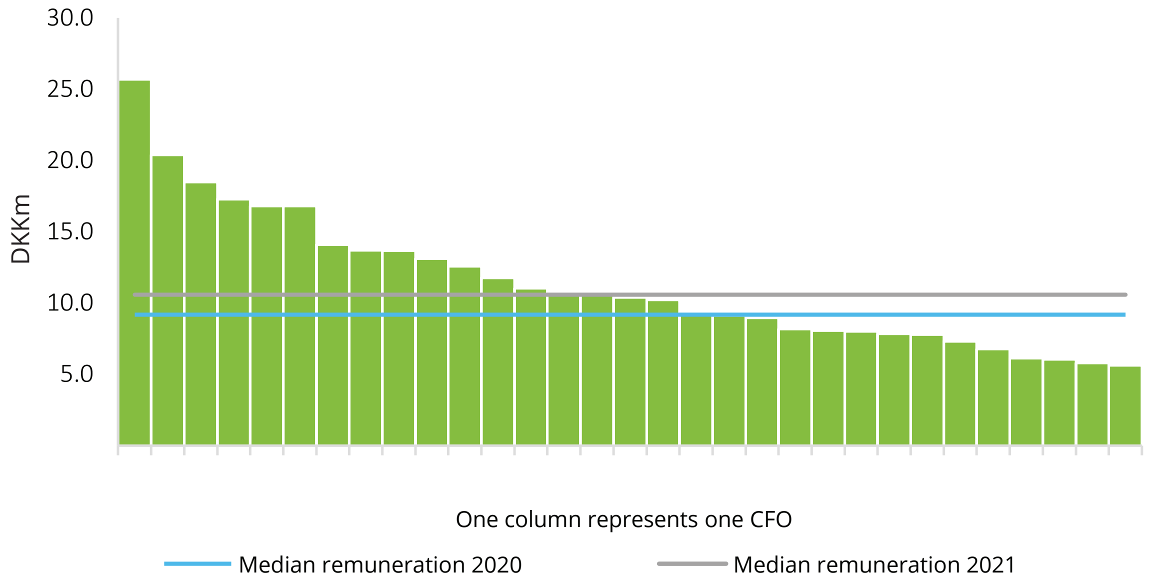
We find that the median total remuneration for CEOs, CFOs and Other Executive Directors increased by 10% to DKK 17.8m, 15% to DKK 10.6m and 8% to DKK 9.2m, in 2021 respectively.

Furthermore, we note that the range between the highest and lowest paid executives of Danish Large Cap companies was greatest among CEOs, perhaps unsurprisingly, and lowest among CFOs. One of the reasons for why the range among Other Executive Directors was larger than for CFOs, may in part be explained by the wide-ranging roles that these executives have, from regional heads to sector specialists and various functions in between.

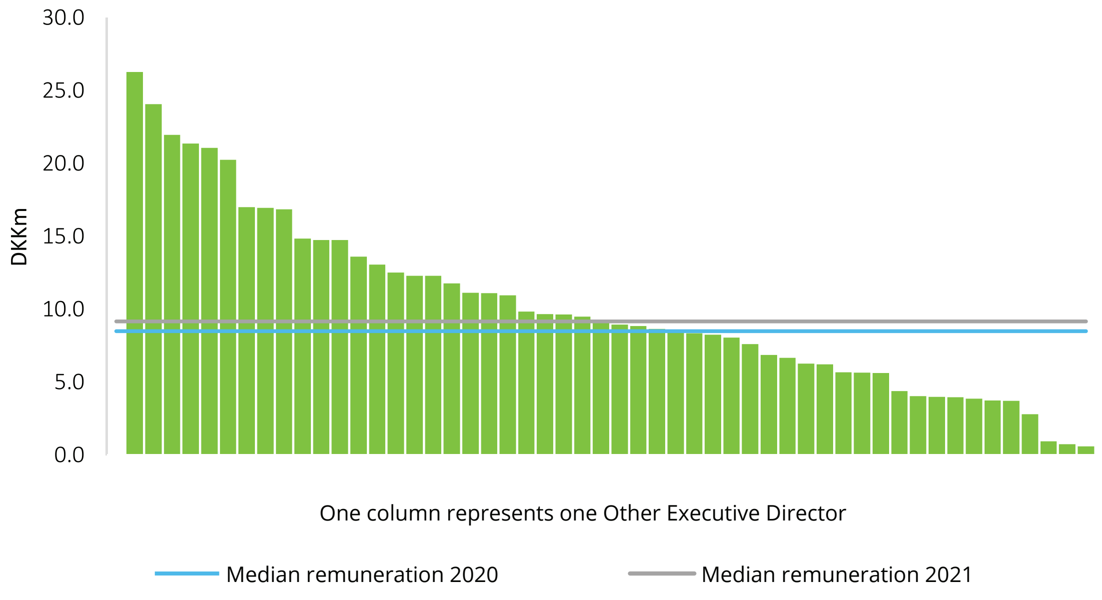
Development in total remuneration - CEO



Development in total remuneration - CFO



Development in total remuneration - Other Executive Directors



Source: Deloitte analysis
Note: The samples of CEOs, CFOs and Other Executive Directors are not of the same size. The charts are based on 2021 data for 46 CEOs, 32 CFOs and 52 Other Executive Directors, and 2020 data for 46 CEOs, 32 CFOs and 54 Other Executive Directors, respectively.

"At Deloitte, we expect, over the coming years, that the remuneration characteristics of executive management in Denmark will become even more aligned with European practices as the implementation of the Shareholder Rights Directive matures."

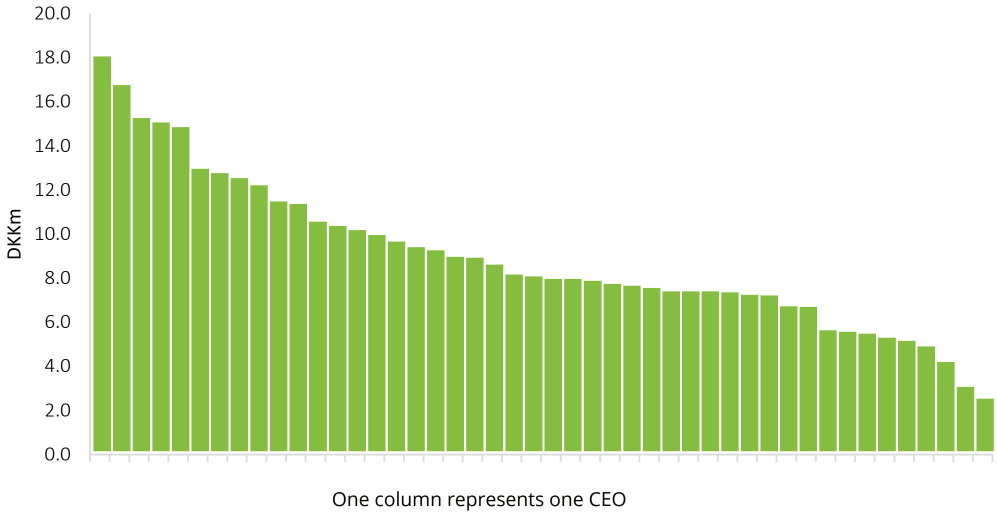
Anja Andersen
Share-based pay & M&A, Tax & Legal in Deloitte Denmark

Base salary

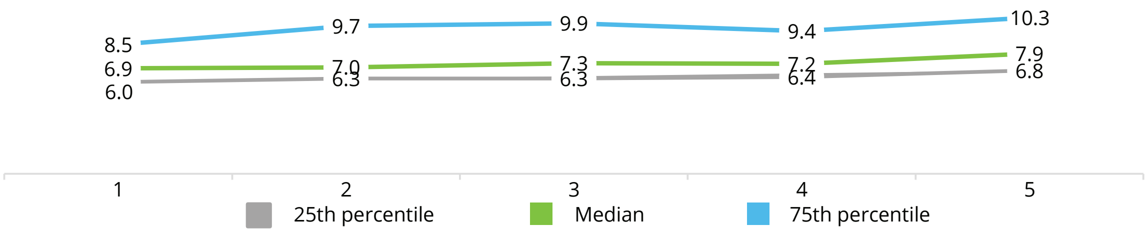
When looking at base salary, we have divided the observations into three groups: CEOs, CFOs and Other Executive Directors. For CEOs, the distribution of base salary in 2021 is shown below, along with the development of the 25th, 50th (median) and the 75th percentiles during the last five years.

In 2021, CEO base salaries ranged between DKK 2.5m and DKK 18.0m. The median base salary has increased in each year between 2017 and 2021, with the exception of 2020 where the median fell by 0.6% from 2019 levels to DKK 7.2m. In the last year however, base salaries jumped by 4.5% to DKK 7.9m. Over the last five years the median CEO base salary has increased by c. 3.3% p.a.

CEO base salaries 2021



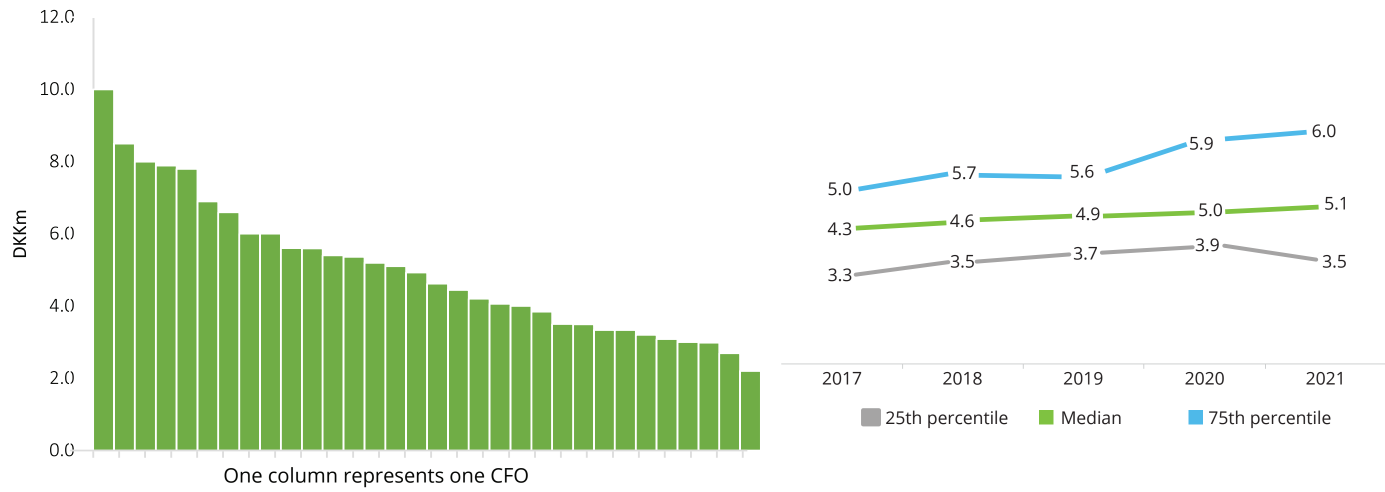
CEO base salary percentiles for 2017 to 2021



Source: Deloitte analysis
Note: The graph to the top represents the 46 CEOs where base salary was disclosed in 2021, whereas the graph at the bottom represents the 38 CEOs where base salary was disclosed in all five years.

In 2021, CFO base salaries ranged between DKK 2.2m and DKK 10.0m. The median CFO base salary was DKK 5.1m in 2021, an increase of 2.2% compared to 2020, and up 4.4% p.a. since 2017 when the median base salary was DKK 4.4m. Base salaries for CFOs have increased at all percentiles as compared to 2017. Since 2020, the upper and median percentiles increased, while the lower percentile fell.

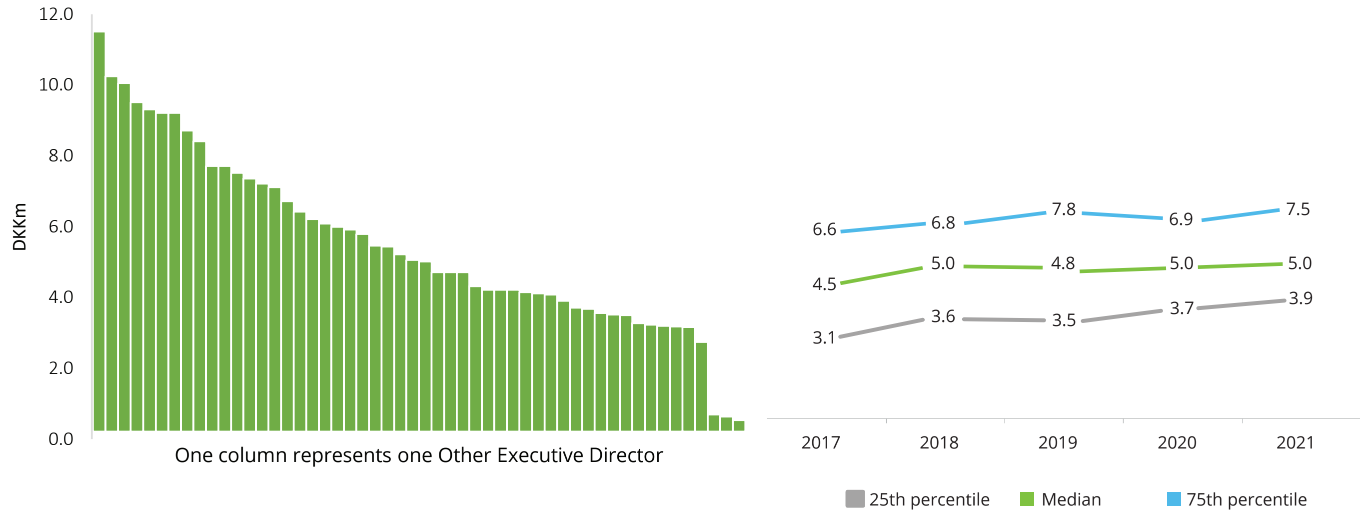
CFO base salaries (left) and percentiles for 2017 to 2021 (right)



Source: Deloitte analysis
Note: The graph to the left represents the 32 CFOs where base salary was disclosed in 2021, whereas the graph to the right represents the 23 CFOs where base salary was disclosed in all five years.

For Other Executive Directors, the median base salary was DKK 5.0m in 2021, in line with 2020 levels. The median salary level is broadly in line with the median CFO salary since 2019. The increase for Other Executive Directors from 2017 to 2021 was c. 2.7% p.a.

Other Executive Directors' base salaries 2021 (left) and percentiles for 2017 to 2021 (right)

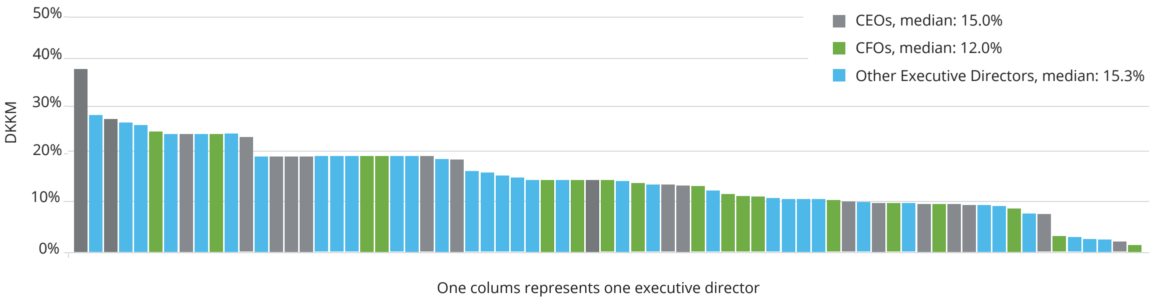


Source: Deloitte analysis
Note: The graph to the left represents the 52 Other Executive Directors where base salary was disclosed in 2021, whereas the graph to the right represents the 25 Other Executive Directors where base salary was disclosed over the last five years.

Pension

In order to benchmark executive pensions, we measure pension contributions as a percentage of annual salary. Pension contributions for 2021 are shown in the chart below for all disclosed executive directors. 59 of the 131 executive directors received no direct and separate pension contribution in 2021. Among the 72 who did, there was a large dispersion, with pension contributions ranging between <1% and 39% of base salary. CEOs continued to receive a higher pension contribution than CFOs, while Other Executive Directors receive a median contribution at a similar level to CEOs.

Pension contributions as % of base salary in 2021



Source: Deloitte analysis
Note: All individual executive directors with disclosed pension and base salary have been included in the chart split into three categories: CEO (21 observations), CFO (17 observations) and Other Executive Directors (34 observations). Data from 25 companies have been included in the 2021 analysis.

The median pension contribution for CEOs, CFOs and Other Executive Directors in 2021 was 15.0%, 12.0% and 15.3%, respectively.

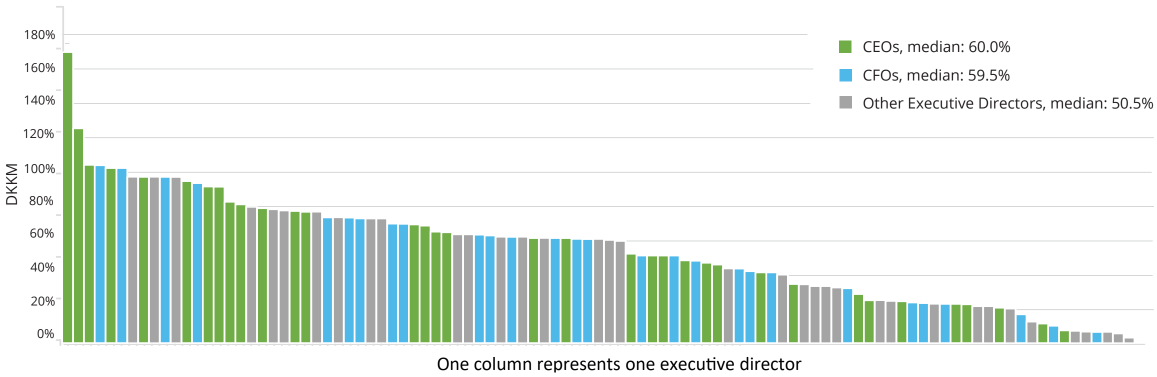
Bonus

Below we present the actual pay-out of short-term bonus as a percentage of annual salaries for individual executive directors, where information was disclosed. 32 of 131 executive directors received no bonus in 2021. As can be seen from the figure below, pay-out varied considerably and was observed between under 4% and up to over 167% of base salary.

As a proportion of base salary, we observe that CEOs and CFOs received similar median bonus payments (60.0% and 59.5%, respectively), while Other Executive Directors received a median bonus payment of 50.5%.

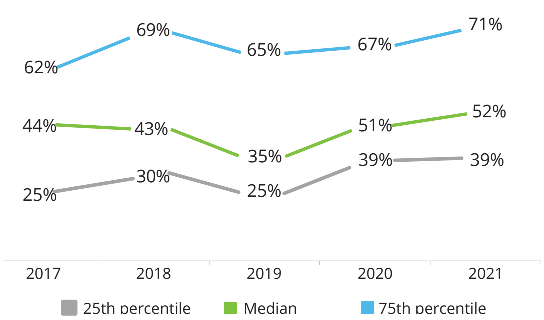
This is a marked change from last year's analysis, where all groups had a received a median bonus pay-out as a percentage of base salary close to 50.5%.

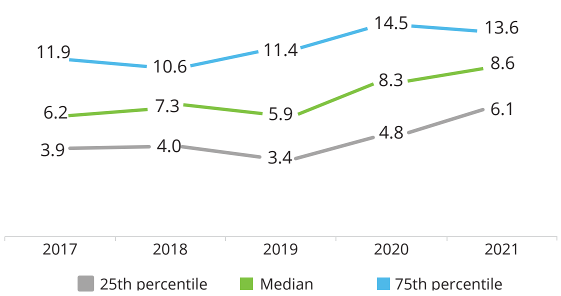
Bonus payout as % of base salary in 2021



Source: Deloitte analysis
Note: All individual executive directors with disclosed short-term bonus and base salary have been included in the CEO (35 observations), CFO (28 observations) and Other Executive Directors (36 observations) categories. Companies that did not disclose individual executive remuneration splits have been excluded. Data from 35 companies have been included in 2021.

Total for all executive directors – development in bonus pay-out as a percentage of base salary (left) and DKKm (right)

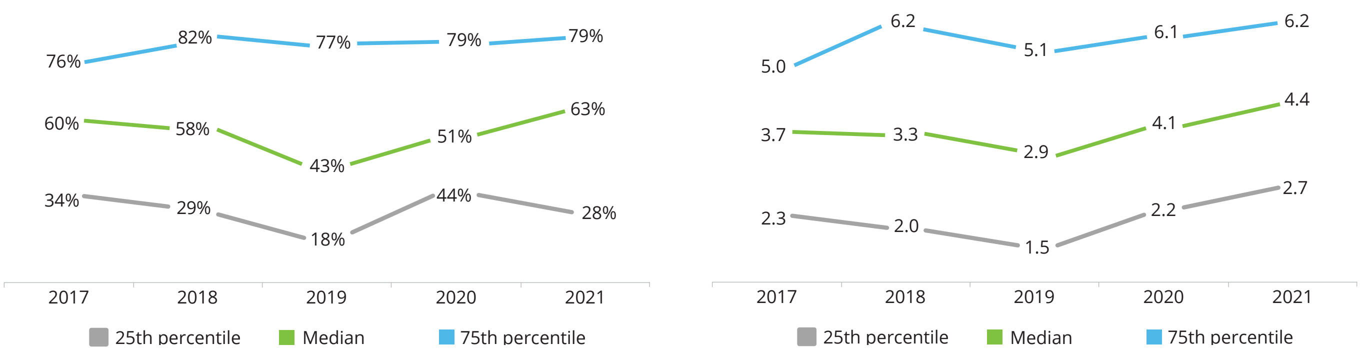




Source: Deloitte analysis
Note: The charts above are calculated based on 41 companies' data.

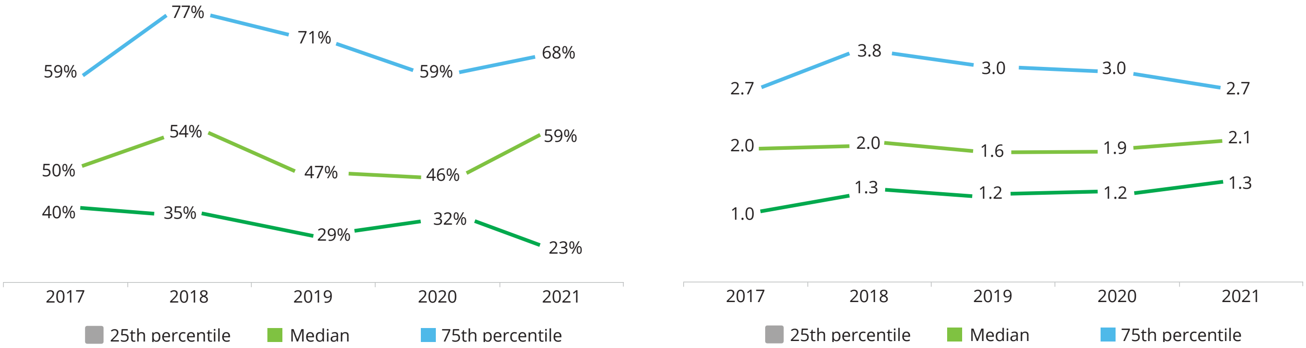
Median bonus pay-outs as a percentage of base salary for all executive directors increased by 1%-point in 2021 to 52% of base salary (51% in 2020). In the same period, there was the same bonus pay-out level as a percentage of base salary at the 25th percentile, while there was a 4%-point increase at the 75th percentile. In nominal amounts, the median bonus pay-out increased from DKK 8.3m to DKK 8.6m for all executive directors from 2020 to 2021. Since 2017, the median bonus pay-out in nominal amounts has increased by DKK 2.4m.

CEOs – development in bonus payout as a percentage of base salary (left) and DKKm (right)



Source: Deloitte analysis
Note: Companies that did not disclose their CEO remuneration breakdown have been excluded. Only observations disclosed for each of the last five years have been included, leaving 38 companies.

CFOs – development in bonus payout as a percentage of base salary (left) and DKKm (right)



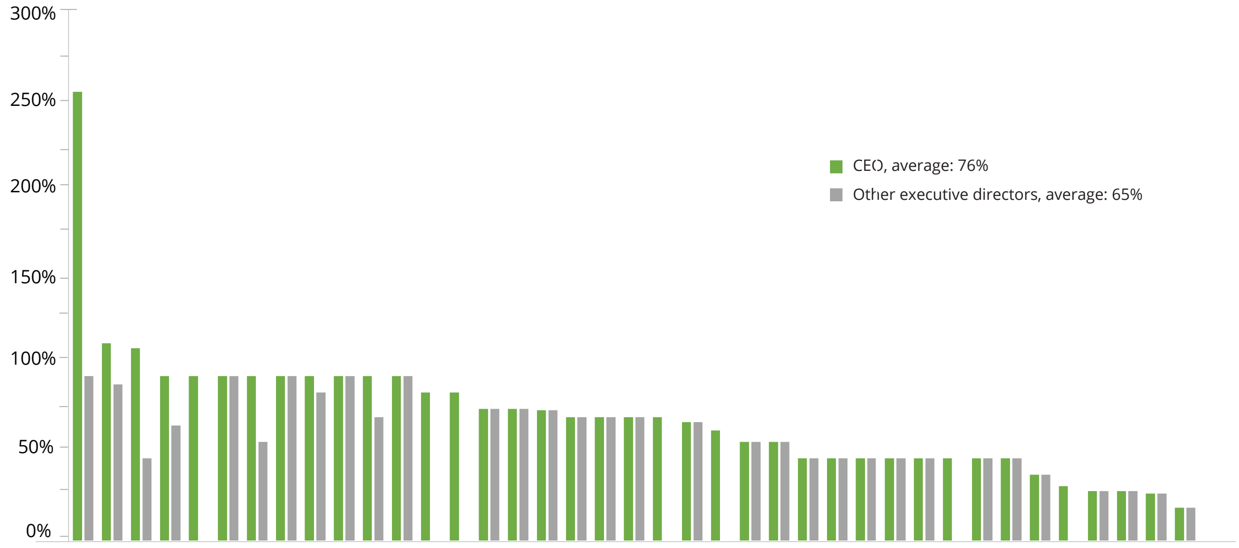
Source: Deloitte analysis
Note: Companies that did not disclose their CFO remuneration breakdown have been excluded. Only observations disclosed for each of the last five years have been included, leaving 23 companies.

Median bonus pay-outs as a percentage of base salary for CEOs increased by 12%-points in 2021 to 63% of base salary (51% in 2020), while it increased 13%-points for CFOs from 46% in 2020 to 59% in 2021. In nominal amounts, the median bonus pay-out for CEOs in 2021 was DKK 4.4m, an increase of DKK 0.3m from a year earlier. CFOs saw an even larger increase in nominal pay-outs, from DKK 1.9m in 2020 to DKK 2.1m in 2021. Taking a longer timeframe, since 2017 median bonus pay-outs in nominal amounts for CEOs and CFOs has increased by DKK 0.8m and DKK 0.2m respectively. We see that this development represents a return to more "normal" levels after a year where bonus levels were likely affected by COVID-19 impacts.

Maximum bonus allocation as a percentage of base salary

Through their remuneration policies, companies set a cap on the size of bonus issuance as a percentage of base salary, which in some cases can be significantly higher than what executives have actually been paid in recent years. In the chart below, we show the maximum permissible bonus payment as a percentage of base salary for all companies where these limits were disclosed in 2021 (or the most recently available report). As can be seen, the maximum bonus allocations vary considerably across the companies shown, ranging from 20.0% and up to 255%. In most cases, the cap applied to CEOs and Other Executive Directors is set at the same level. The average cap was 76% for CEOs and 65% for Other Executive Directors. This compares with the levels from our analysis in last year's publication of 74% for CEOs and 70% for Other Executive Directors.

Maximum bonus allocation as a percentage of base salary

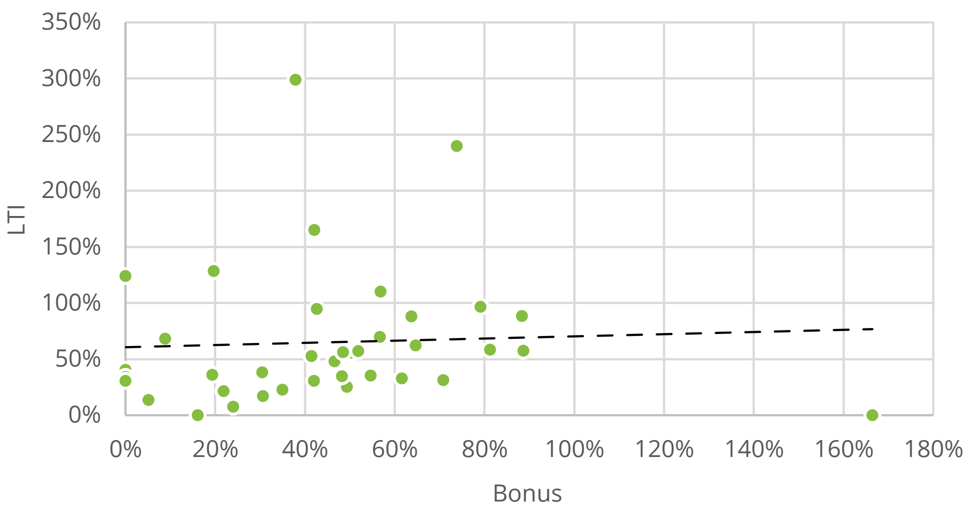


Source: Deloitte analysis
Note: This analysis include 39 observations for maximum bonus allocations disclosed in 2021.

Bonus and LTI substitution
To establish whether there is a systematic link between variable and fixed elements of compensation packages, we have looked at whether a substitution effect existed between short-term and long-term incentive elements. That is, we have investigated whether executive directors who receive a small portion of their total compensation as a bonus tend to receive a larger part of their remuneration as LTI and vice versa. Below we have compared STI and LTI as a percentage of total fixed remuneration in a scatterplot.

As apparent from the graph, there is no clear tendency of LTI and STI substitution, nor a strong correlation between levels of LTI and STI pay-outs, other than the observation that most companies that have bonus pay-outs have also made LTI pay-outs, with the exception of a few clear outliers.

Bonus and LTI as a percentage of fixed remuneration (all executive directors)



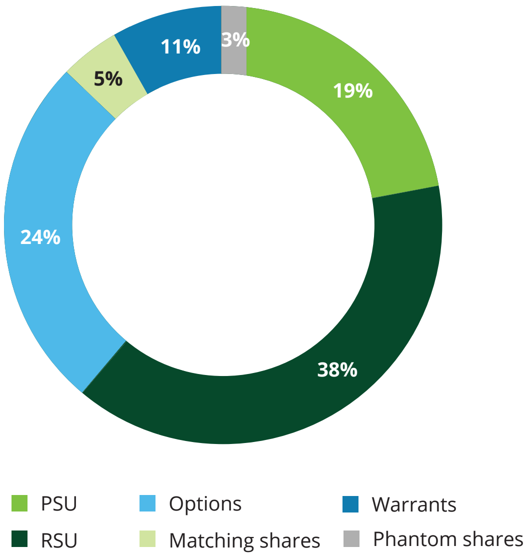
Source: Deloitte analysis
Note: Companies that did not display STI and LTI remuneration in 2021 have been excluded, leaving 36 companies.

Long-term incentives (LTIs)

Our analysis of LTI programmes this year covers 42 companies that had 74 separate, active LTI programmes. A limited number of LTI programmes are essentially two different programmes merged as one, for example some LTI programmes consist of both share options and RSUs. To improve the comparability of LTI programmes, we have treated these programmes as two separate programmes throughout this analysis. 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, warrants and phantom phares.

As seen from the chart, the RSU structure is the most commonly used (38%), followed by options (24%) and then PSUs (19%).

LTI programme types



Source: Deloitte analysis
Note: There were 42 companies with 74 separate, active LTI programmes in 2021.

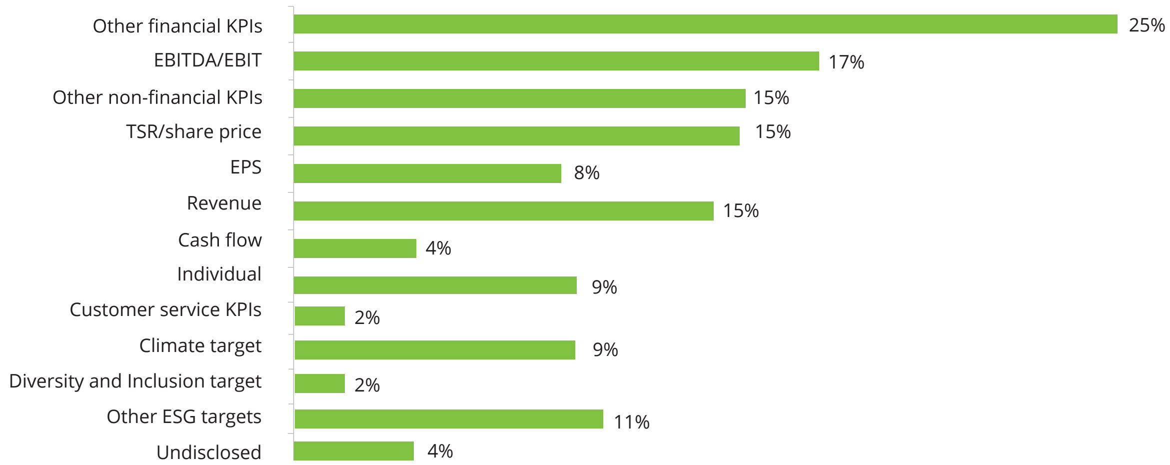
"There were 42 companies with 74 separate, active LTI programmes in 2021. The RSU structure continues to be the most commonly used structure among the Danish Large-Cap companies (38%), followed by Options (24%) and PSUs (19%)."

Vesting criteria for LTI programmes as of 2021
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. Of the 74 active LTI programmes in 2021, 16 applied no vesting criteria, were undisclosed or were unknown. Of those that did disclose vesting criteria, we see large differences in the types of vesting criteria applied in the different LTI programmes and in the level of detail disclosed about them.

As illustrated below, there is a large variation in the vesting criteria 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.

In terms of disclosure, 10% of LTI programmes did not have vesting criteria, while 4% of programmes indicated they had vesting criteria but the criteria were not clearly disclosed and for 11% of programmes it was not clearly disclosed whether vesting criteria applied or not. This remains an area of disclosure where Danish Large-Cap companies can still improve on going forward.

Vesting criteria



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.

Looking at how the vesting criteria are evaluated it is apparent that only a limited number of companies disclose whether they measure their criteria on an absolute or a relative basis:

- **Relative basis:** Those measures that are evaluated relative to other companies, industry groups or stock indices.
- **Absolute basis:** TThose measures that are solely related to the issuing firm. For example, this could be a static threshold or Total Shareholder Return (TSR) higher than the most recent three-year period.

We also look at whether vesting criteria are measured on a personal or company-wide basis. Personal vesting criteria are performance measures solely or mainly at an individual level, while company-wide-vesting criteria are performance measures at an organisational level.

Regarding company disclosure of measurement on an individual or company-wide basis, for 18% of programmes this information was not disclosed. Among the companies that did disclose their valuation basis, there is a tendency of evaluation being on a company-wide basis.

How companies measure vesting criteria

Absolute / relative	
Absolute	49%
Both	13%
Relative	13%
Undisclosed	24%
Total	**100%**

Individual or company-wide	
Company performance	64%
Individual	8%
Both	15%
Undisclosed	13%
Total	**100%**

Source: Deloitte analysis

The percentages above are the percentage of total schemes. Therefore, it is not fair to say this is representative for the typical company as some companies have several and some have no schemes. However, in general we note that LTI programmes are mostly linked to company performance (rather than individual metrics).

Valuation

LTI is measured in the consolidated financial statements according to the principles set out by IFRS 2 as 'expensed pay'. Typically, the fair value is determined on the allocation or the award date, i.e. grant date expensed linearly over the vesting period. In the remuneration reports, 96% of the 45 Large-Cap companies report 'granted pay' using the IFRS 2 methodology for the full current value granted in the current year, and an additional number of companies also reporting 'granted pay' as supplementary information. See our explanation of the various definitions of reporting practices below.

Valuation methodology	
Black-Scholes	41%
Monte Carlo	1%
Share Price	28%
Undisclosed	29%
Total	**100%**

Source: Deloitte analysis

Most LTI schemes either offer options or include embedded options, which means that the value cannot directly be measured but must be estimated by a valuation model. Below we have shown an overview of the valuation methodologies disclosed by companies. We observe that the most common framework for valuation of LTI programmes is the Black-Scholes[14] framework. This framework is applied for the valuation of 41% of all LTI programmes. Perhaps most notably, 29% of all LTI programmes do not have a clearly disclosed valuation method. 28% of all LTI programmes are valued by using the company's share price. The final 1% of the programmes are valued by applying a Monte Carlo valuation method.

We see a tendency for programmes becoming more complex and as such often require simulation-based approaches to valuing their programmes. Indeed, we often see that a combined Black-Scholes and Monte Carlo approach is often used in LTI programme valuation. As such we expect that the number of programmes using at least an element of Monte Carlo simulation is higher than shown in the table below. Furthermore, we expect that a large proportion of the programmes with undisclosed methodology would use either Black-Scholes or Monte Carlo.

Reporting practices

Five valuation methods (or timings) of fair value exist in terms of reporting practices:

1. Granted pay' – current full fair value under IFRS 2 methodology for all years in the vesting period (i.e. for all three years)
2. 'Expensed pay' – IFRS 2 accounting fair value of current and previous years expense, and can also be a reversal of an expense
3. 'Vested pay' during the vesting period – new updated fair value calculation during the vesting period, and can also be a reversal of an expense
4. 'Realised pay' (or final vested amount) – new final fair value calculated only at the vesting date, i.e. after completion of the vesting period (also sometimes referred to as 'vested pay' together 'vested pay during the vesting period')
5. 'Exercised pay' – final paid-out amount (e.g. for options) (also sometimes called 'realised pay')

The disclosed fair value of most LTI programmes only partly represents the potential maximum pay-out at exercise or programme expiry. Moreover, as the IFRS 2 methodology permits a number of adjustments concerning vesting criteria, such as assumptions about expected employee turnover and expected employment/exercise period, the fair value disclosed may well be significantly lower than the actual maximum economic value of the shares, options or warrants at grant, at vesting or at exercise. In some cases, it may also be higher that the economic value at vesting or at exercise if the share price declines after the grant date for equity-settled share-based payments.

14 Black, F. and M. Scholes, 1973, The Pricing of Options and Corporate Liabilities", Journal of Political Economy, Vol 81, pages 637-654.

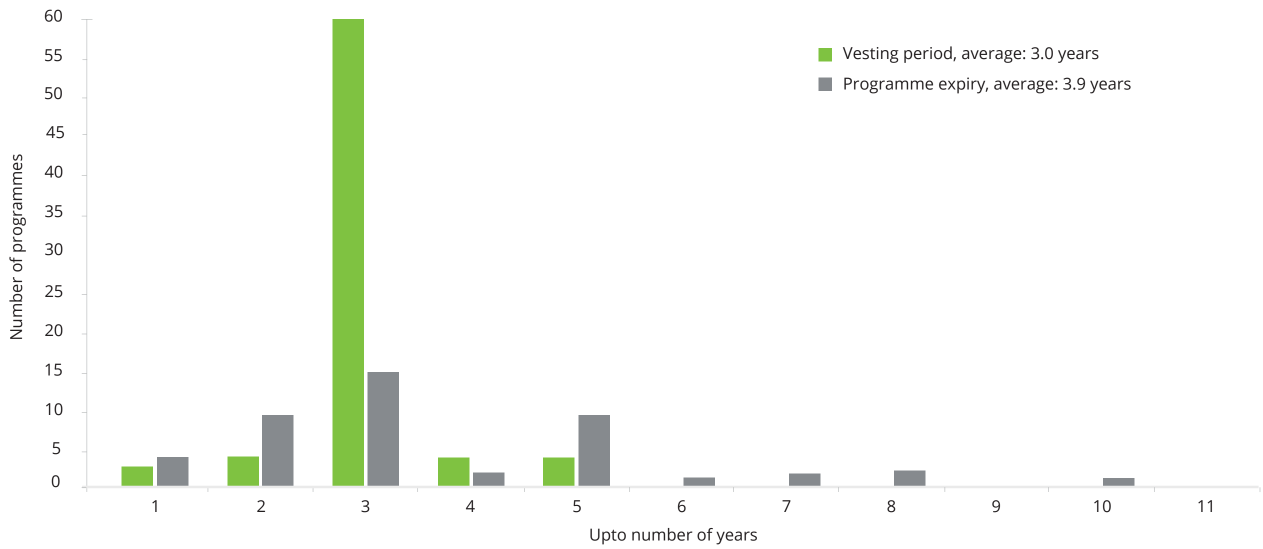
Our recommended reporting practice – and now also the predominant reporting practice in Denmark - to ensure comparability and transparency with regards to LTI is for companies to each year report 'granted pay' (link to governance and remuneration policy) in 'the single-figure table', with additional disclosures about 'expensed pay' (link to cost of the company from the financial statements) as well as 'vested pay' (link to performance, outcomes for executives and total shareholder return during the vesting period and/or at vesting).

Vesting period and duration

The vesting period is the period when performance is evaluated to determine the size of LTI payments. The duration of the LTI programme is the time until the LTI programme expires at which point the remaining outstanding LTI units or shares would typically lapse.

The average vesting period of LTI programmes, and indeed by far the most common, is 3.0 years. For programme expiry, the average time is 3.9 years, suggesting that on average, participants have one year following final vesting to exercise or utilise their LTI units. We also note that there is more variation among expiry periods compared to the vesting period. We expect that this variation reflects that LTI in general is linked to firm-specific strategies which may have different time horizons.

Vesting and duration of LTI programmes



Source: Deloitte analysis

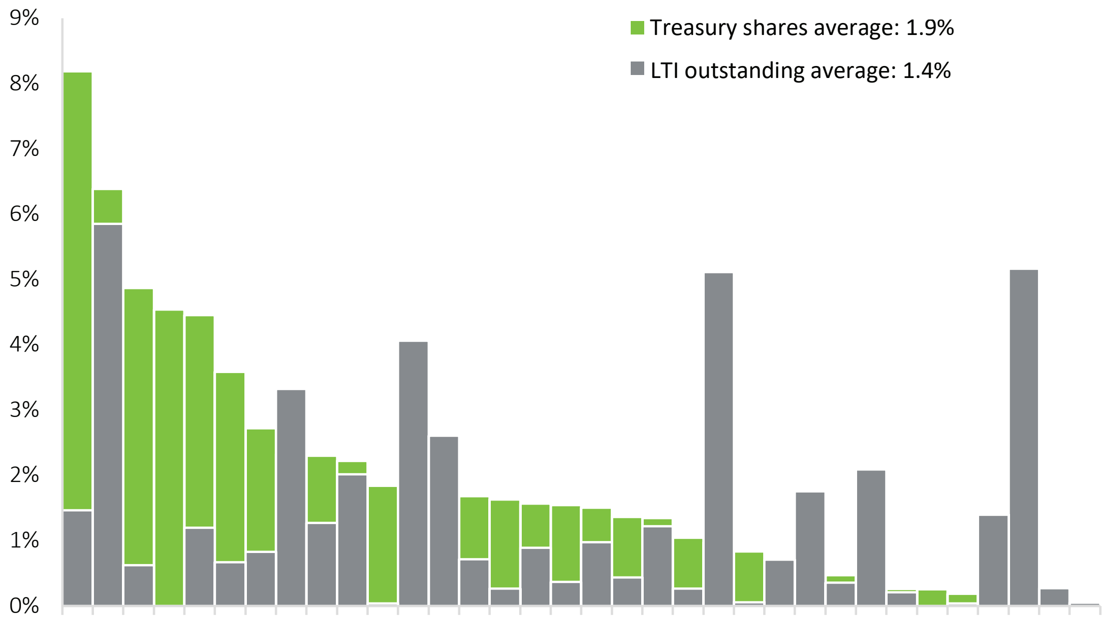
Note: This analysis includes 74 observations for active and non-active LTI programmes disclosed in 2021.

LTI programme size and issuance

Companies that use LTI programmes as part of their remuneration package assume a potential liability which is typically linked to the development of the company's share price. One way of hedging this liability is through the purchase of own shares held in treasury until the options or warrants are exercised. Shares may also be held in treasury for other reasons but comparing the number of treasury shares to outstanding LTI share equivalents gives some indication as to whether the companies are able to and do hedge their exposure using treasury shares.

We therefore compare the number of each company's own treasury shares with the aggregated size of the company's LTI programmes – both measured as a percentage of outstanding shares. As illustrated in the figure below, the size of different LTI programmes is diverse, which is also the case for the number of shares that companies hold in treasury. However, the majority of companies hold more treasury shares (1.9% average in 2021) than outstanding LTI share equivalents (1.4% average in 2021). Comparing to the analysis in last year's publication, we found that the 'gap' of 0.5% has increased from 0.2% in 2020 indicating that an additional treasury share buffer has been created (although we note that this year's analysis includes five additional companies which could drive some of the change since last year).

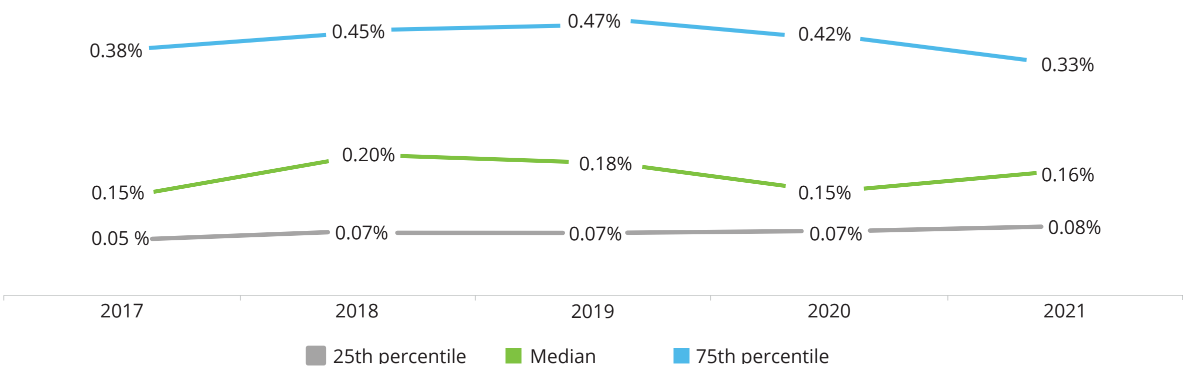
Treasury shares and LTI units as a percentage of outstanding shares



Source: Deloitte analysis
Note: When outstanding shares are undisclosed, total shares are used as a proxy.
Note: All companies that disclose the number of outstanding LTI units for at least one LTI programme have been included, leaving 31 companies.

In the graph below, the size of yearly LTI issuance of shares or share equivalents during the last five years can be seen (from 2017 to 2021). Total yearly issuance of LTI also includes other key employees and not only executive management. As seen in the figure below, the median LTI issuance level has increased slightly from 0.15% to 0.16% between 2017 and 2021. The upper percentile interesting increased from 0.38% in 2017 to 0.47% in 2019, before falling back to 0.33% in 2021. The lower percentile has increased from 2017 by 0.03% to 0.08% in 2021. Assuming a four-year average duration (i.e. four years where the programme issues grants), yearly issuance of between 0.16% (median) and 0.33% (75th percentile) of the share capital implies that the total size of programmes could comprise between c. 0.6% and 1.3% of the total share capital, all other things being equal. Compared to the current average size of LTI programmes (c. 1.4%), this indicates that the sizes of LTI programmes could fall in the near future. This is a change from our conclusion last year where using the same logic we arrived at the opposite conclusion.

Yearly LTI issuance as a percentage of outstanding shares

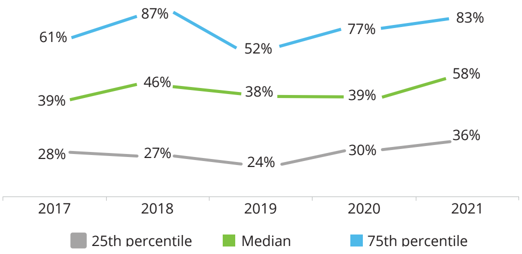


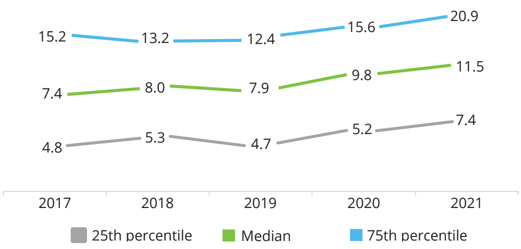
Source: Deloitte analysis
Note: Only active programmes have been included.
Note: Only programmes with disclosed LTI issuance amount in all five years have been included in the graph, leaving 27 programmes.

As an alternative measure of the size of LTI programmes, we also measured the yearly LTI allocations granted to executive directors as a percentage of the respective executive director's base salary. The below analysis includes observations for companies that disclosed data for each of the last five years.

Our analysis shows that the median executive director received 58% in LTI as a proportion of base salary in 2021, which is a significant increase from both 2017 and 2020 levels when the same figure was 39%. The significant increase is the result of two very large increases at Genmab and Zealand Pharma as well as large increases at seven other companies (A.P. Møller Mærsk, Bavarian Nordic, Boozt, ISS, Novo Nordisk, Novozymes and Royal Unibrew) that we have not regarded as extraordinary. CFOs saw an 11%-point increase over the same period, but a median and average change of +1%-point and +29%-points. As with CEOs, this reflects the large dispersion in individual results.

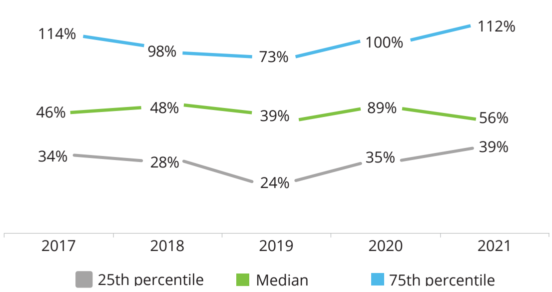
Total for all executive directors – development in yearly LTI allocations as a percentage of base salary (left) and DKKm (right)

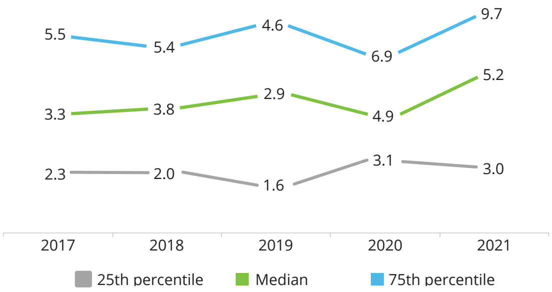




Source: Deloitte analysis
Note: Companies that did not disclose an overall executive management remuneration breakdown have been excluded. Only observations disclosed for the entire period have been included, leaving 41 companies. Please note that the numbers and the charts are significantly affected be the size of the executive management board

CEOs – development in yearly LTI allocations as a percentage of base salary (left) and DKKm (right)





Source: Deloitte analysis
Note: Companies that did not disclose their CEO remuneration breakdown have been excluded. Only observations disclosed for each of the last five years have been included, leaving 38 companies.

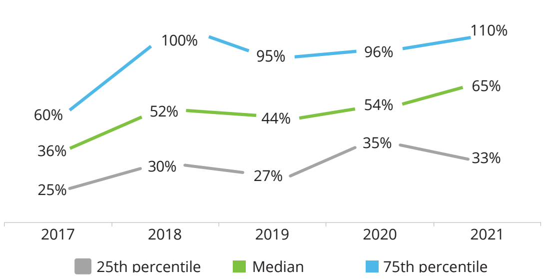
For CEOs in 2021, the median LTI allocation was 56%, a decrease of 13%-points from 2020 although still well above the average observed between 2017 and 2019 of 44%. However, when looking at the median and average change in allocations as a percentage of base salary across individual companies we find a <1%-point and +20%-point change, respectively. This reflects the large variation in changes across companies with some very large changes in LTI allocations at an individual company level (both increases and decreases).

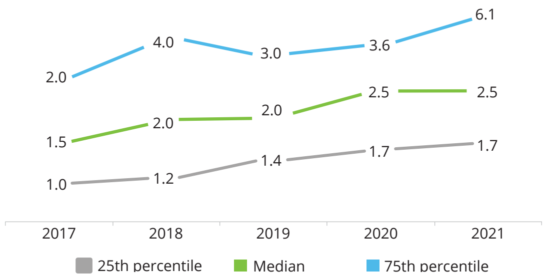
CFOs saw an 11%-point increase over the same period, but a median and average change of +1%-point and +29%-points. As with CEOs, this reflects the large dispersion in individual results.

The trends during the last five years are different for the three groups, with all executive directors and CFOs showing a relatively stable, but growing, pay-outs in absolute terms, while CEOs pay-outs have been more erratic, but have overall increased, possibly reflecting some of the major market and economic impacts we have experienced over the last few years.

We observe median nominal LTI allocations of DKK 11.5m, DKK 5.2m and DKK 2.5m in 2021 for all executive directors, CEOs and CFOs, respectively.

CFOs – development in yearly LTI allocations as a percentage of base salary (left) and DKKm (right)



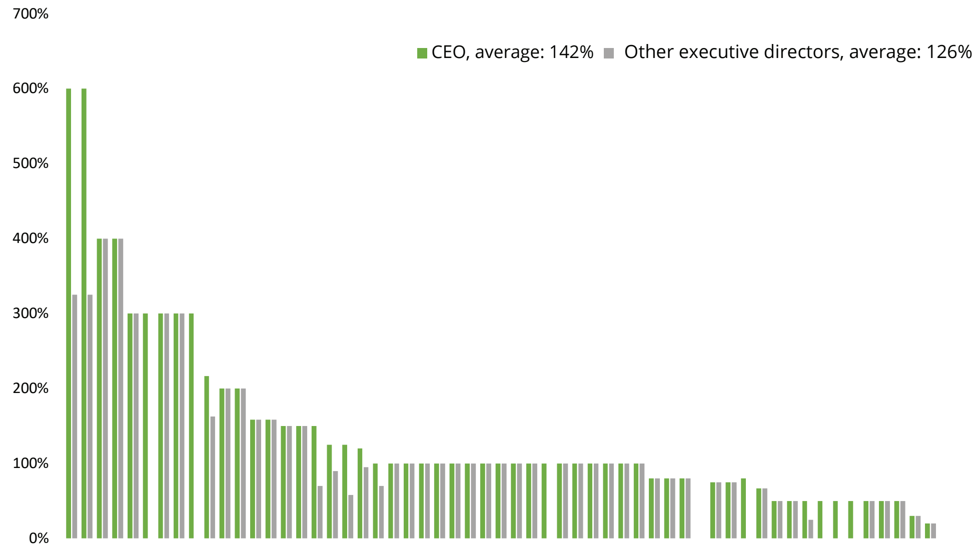


Source: Deloitte analysis

Note: Companies that did not disclose their CFO remuneration breakdown have been excluded. Only observations disclosed for each of the last five years have been included, leaving 23 companies.

To put these numbers into perspective, we look at the maximum LTI allocation as a percentage of base salary according to the guidelines of the LTI programmes where disclosed. The maximum permissible allocations are shown in the figure below, observing a large variation, from company to company, in the maximum LTI allocation as a percentage of base salary. The average and median values for CEOs were 142% and 100%, respectively, while the average and median values for Other Executive Directors were 126% and 100%, respectively. Maximum permissible allocations in 2022 varied from 13% all the way up to 600% for all executive directors. We note no significant changes in this area compared to our analysis in last year's publication.

Maximum LTI allocation as a percentage of base salary



Source: Deloitte analysis
Note: This analysis include 57 observations for maximum bonus allocations disclosed in 2021.

Governance

For all companies, the remuneration policies are readily accessible on their websites. The remuneration policies vary in the level of detail, but in general offer better descriptions of the companies' overall policies, including incentive structures. These policies include details on whether caps have been implemented with regard to the maximum size of yearly bonus and LTI awards/ allocations. Of the 45 Large-Cap companies in our sample, 71% apply caps on all or some LTI, 13% apply no caps or do not disclose caps, and 16% do not have LTI programmes. Some companies have moreover applied a cap to the maximum pay-out of the LTI at vesting or exercise, a trend that is also increasingly seen in an international context.

For financial companies, there are specific regulations and restrictions set out for variable pay, including requirements for deferral of pay-out of variable awards. Our sample here includes nine financial companies, however, as Jyske Bank, Ringkjøbing Landbobank, Spar Nord Bank and Sydbank do not apply variable remuneration, our sample below only includes five financial companies, of which all apply deferral. Interestingly, only one of the 36 non-financial companies has adopted deferral of variable pay.

Deferral

	Non-financial	Financial	Total
Apply deferral	1	5	6
Do not apply deferral	7	1	8
Not clearly disclosed	28	3	31
Total	**36**	**9**	**45**

Source: Deloitte analysis

Over two thirds of the companies in the sample, based on information from remuneration policies, have adopted clawback provisions for malus or material misstatement. This is in line with levels seen last year which had seen an improvement on 2019 levels due to the implementation of the SRDII. We found 11 examples where it was not clearly disclosed (or not applicable for variable pay).

Clawback

	Non-financial	Financial	Total
Apply clawback	25	5	30
Do not apply clawback	4	--	4
Not clearly disclosed	7	4	11
Total	**36**	**9**	**45**

Source: Deloitte analysis

Shareholding guidelines for executive management

In this section, we look at companies with published shareholding guidelines for Executive Management. 15 and 13 companies - or 33% and 29% of the Danish Large-Cap Index - had disclosed and reported against these for 2021 for the CEO and other executive management (incl. CFO), respectively. We were not able to discern whether companies did have guidelines but had chosen not to disclose them. These companies are some of the largest Danish Large-Cap companies in terms of market cap and number of employees with a significant international shareholder interest. This was an increase from the 12 and 10 companies for CEOs and CFOs (30% and 25% of the Danish Large Cap Index) included in our analysis for 2020 using the Large-Cap Index constituents as of 2020.

For CEOs, the 2021 average guideline shareholding was 152% (142% in 2020) of base salary, while for CFOs the average was 100% (2020: 88%).

Looking at actual shareholdings of those companies disclosing guidelines, CEOs held an average of 17.3x their base salary (2020: 17.7x), while CFOs held an average of 3.7x (2020: 0.9x) of base salary. The range of actual shareholdings is large. We note that the CEO at Genmab has a shareholding that is particularly high. Excluding this data point, results in an actual shareholding multiple of 3.0x.

We note that most CEOs and CFOs held the guideline shareholding as stipulated in their companies' policies. In some instances, shareholding was below the guideline amount, however in these cases the policy included an allowance for the shareholding to be built up over time, or in connection with the vesting of LTI-units.

We continue to expect that over the coming years, more companies will adopt shareholding guidelines for executive management as more attention is drawn to the issue of aligning shareholder and management interests.

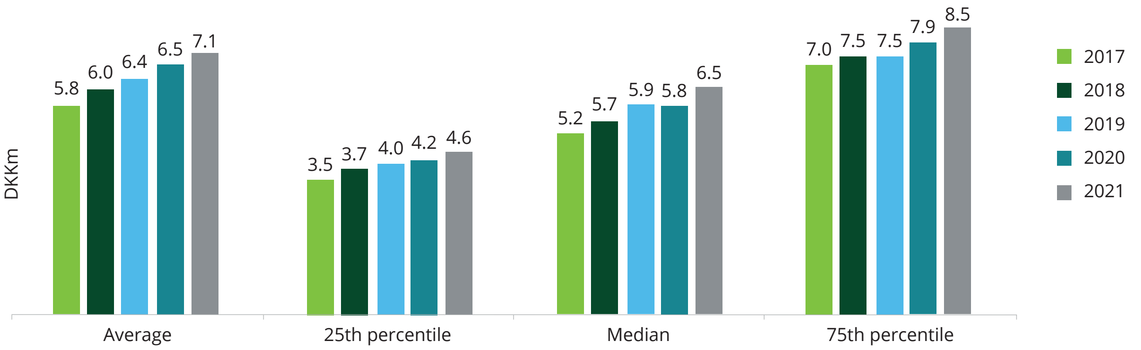
Board remuneration

All 45 Large-Cap companies under consideration disclosed aggregated remuneration of the board in 2021.

Looking at the development in board remuneration, overall, there has been a general increase from year to year, as the average and median (50th percentile) indicates. The upper and lower percentiles also saw an increase in 2021. Over the five-year period from 2017 to 2021, the average and median remuneration increase that boards experienced was c. 2.5% p.a. and 3.8% p.a., respectively.

The median total board pay was DKK 6.5m (2020: DKK 5.8m).

Aggregate board remuneration



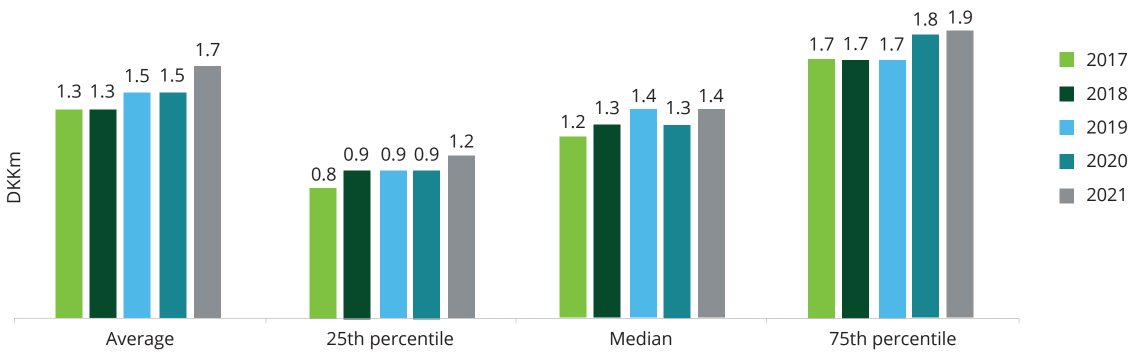
Source: Deloitte analysis
Note: Only companies that disclosed total board remuneration over the last five years have been included, leaving 42 companies. The remaining companies were first listed on Nasdaq Copenhagen during the five years.

A similar increase can be seen in the median and average remuneration of chairpersons, which more or less has increased each year over the five-year period.

This resulted in an average and median annual increase of c. 3.3% p.a. and 1.9% p.a. from 2017 to 2021 for the chairpersons.

The median total pay for chairpersons increased to DKK 1.4m (2020: DKK 1.3m)

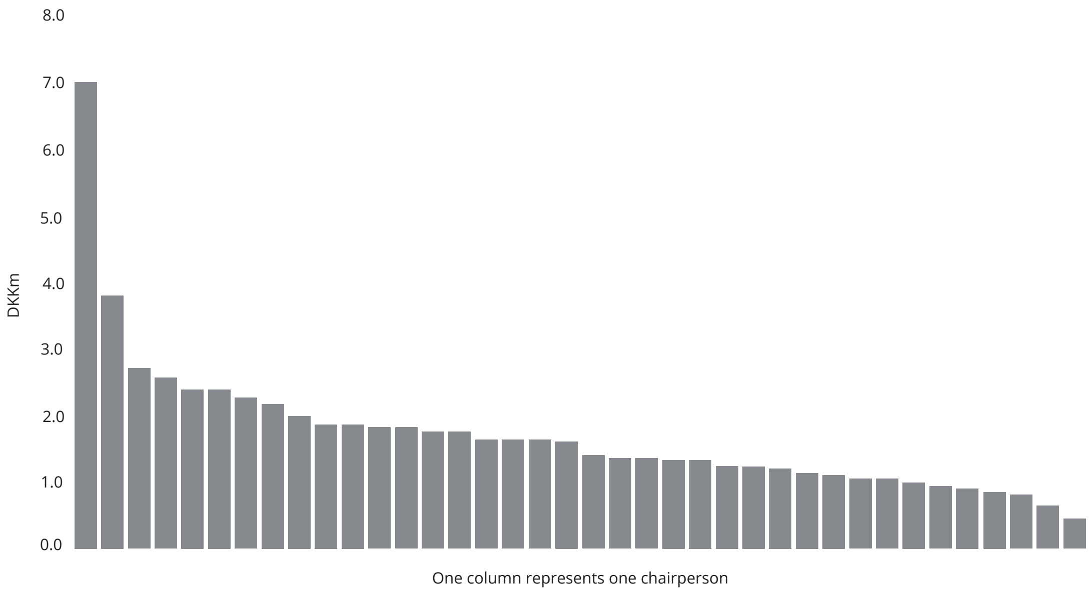
Remuneration of chairpersons



Source: Deloitte analysis
Note: Only companies that disclosed chairperson remuneration over the last five years have been included, leaving 37 companies.

We have also looked at the distribution of the chairperson's remuneration which varied from DKK 0.5m to DKK 7.0m in 2021 (consistent with our analysis in last year's publication).

Distribution of chairperson remuneration



Source: Deloitte analysis
Note: All 45 companies disclosed chairperson remuneration for 2021.

Board base pay

We have also looked at the disclosed base pay for board members as well as the disclosed additional allowance for serving as the chairperson or deputy chairperson. Note that this may differ from actual board member pay due to members serving additional positions, such as committee membership, etc., as well as other factors.

We found that the base board member remuneration varied considerably from DKK 0.1m to DKK 1.0m in 2021, with a median value of DKK 0.4m which was at the same level as in our analysis in last year's publication.

The median multiple chairpersons received for their role was three times that of the board member base pay, while the median multiple deputy chairpersons would receive was double that of board members – also unchanged compared to our analysis in last year's publication.

	Member base pay (DKKm)	Chair pay multiple	Deputy chair pay multiple	Audit co chair pay multiple	Audit co member pay multiple	Rem co chair pay multiple	Rem co member pay multiple
Highest	1.0	7.4x	3.0x	3.0x	2.3x	2.2x	1.8x
Median	0.4	3.0x	2.0x	1.7x	1.4x	1.4x	1.3x
Lowest	0.1	2.0x	1.3x	1.2x	1.1x	1.0x	1.0x
Average	**0.4**	**3.2x**	**1.9 x**	**1.7x**	**1.4x**	**1.5x**	**1.3x**

Source: Deloitte analysis

The average board member pay, including committee fees, was unchanged at DKK 0.7m compared to 2020.

Board demographics

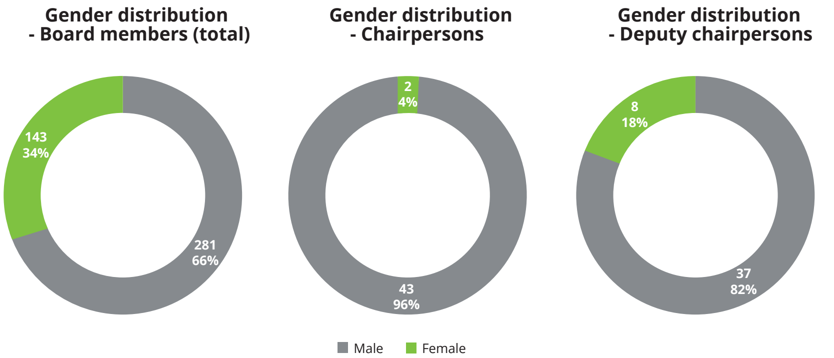
We have included analyses on board member demographics, which we believe is pertinent given the growing societal focus on diversity in the workplace. We found that the median board member serving across the 45 Large-Cap companies in our sample was male, Danish, aged 57 and compensated on average DKK 0.75m.

Gender distribution

There were 424 board members serving across the 45 companies analysed as disclosed in their 2021 annual reports. 38 of the 40 chairpersons were male, while of the 36 deputy chairpersons, 84% were male (note, some companies have more than one deputy chairperson). For total board members, c. 66% were male.

The percentage of female board members in the Danish Large-Cap companies increased to 34% in 2021 from 33% in 2020.

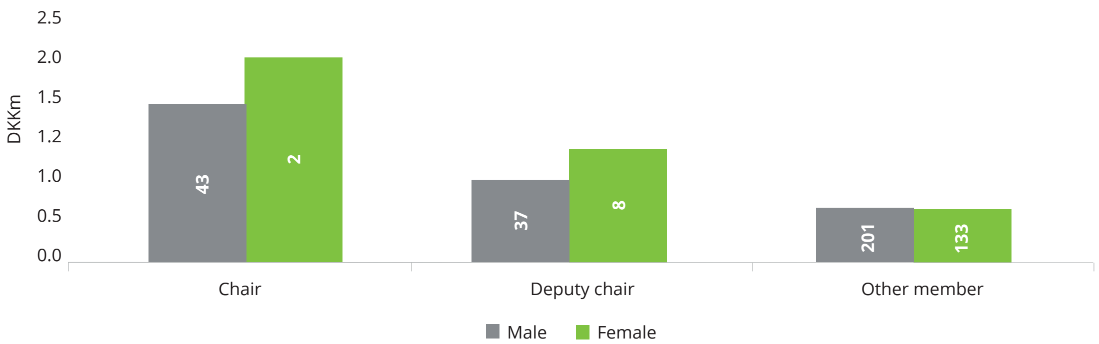
There were still two female chairpersons in the Danish Large-Cap companies in 2021, while 18% of deputy chairpersons were female in the Danish Large-Cap companies (16% in 2020).



Source: Deloitte analysis

In 2021, the 43 male chairpersons on average received DKK 1.60m, while the two female chairpersons received DKK 2.35m on average. The 37 male deputy chairpersons on average received DKK 0.89m, while the seven female deputy chairpersons received DKK 1.21m in 2021. Of other board members, male and female members received board pay that was on average approximately the same at DKK 0.6m. We note that these numbers are, to some extent, skewed by members' remuneration for other positions on the board (such as being a member or chairperson or a member of a board committee), and we have not taken these effects out in this analysis.

Average pay for board positions (DKKm)

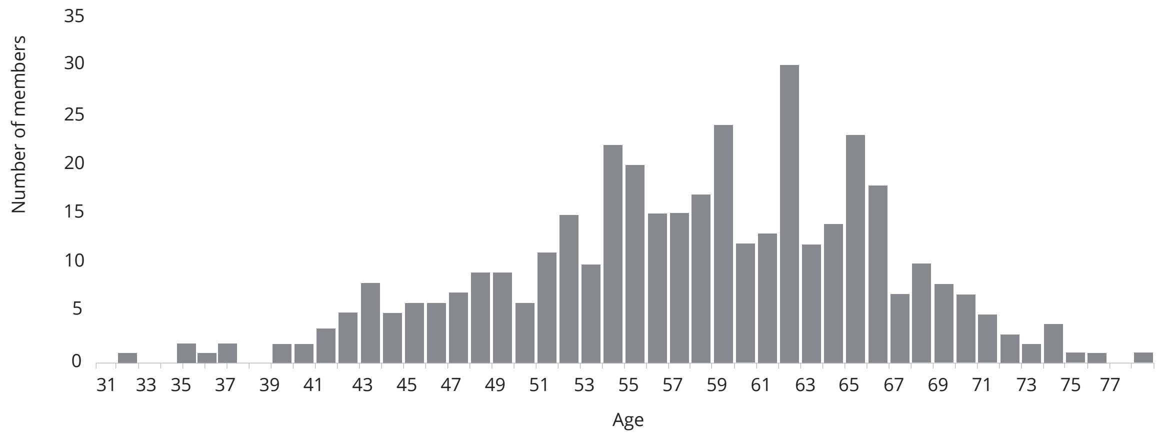


Source: Deloitte analysis

Age distribution

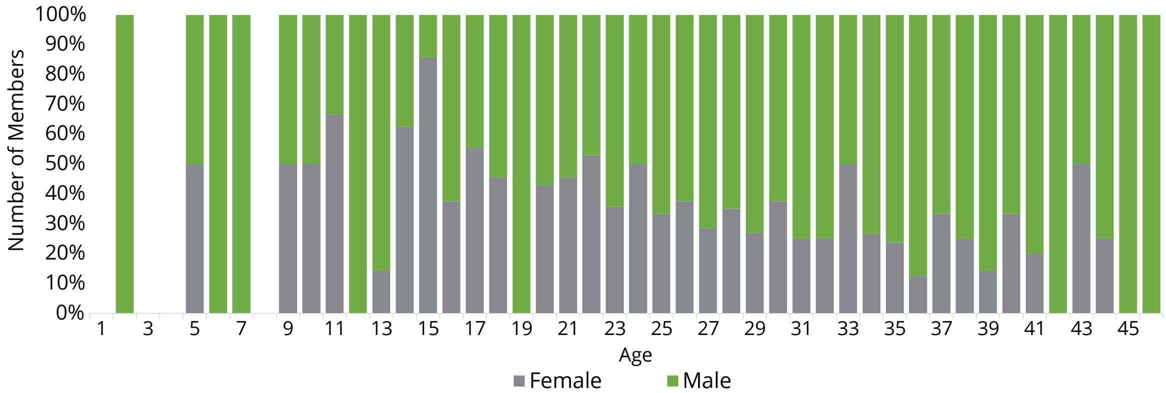
Board member age was disclosed for all board members serving the companies analysed. The average member age was 57.2 years (2020 analysis: 56.9 years), while members' age ranged over 44 years (2020 analysis: 46 years) from 32 years of age (2020 analysis: 31 years) to 76 years of age (2020 analysis: 77 years).

Age distribution of board members



We also looked at the relationship between gender and age to see if a correlation exists, which might provide insight into board composition of the Danish Large-Cap companies in the future. Our analysis found no clear correlation between gender and age, as the gender breakdown was fairly consistent across most age groups. We will continue to monitor this space in future editions of this publication to see how this progress over time.

Relationship between gender and age

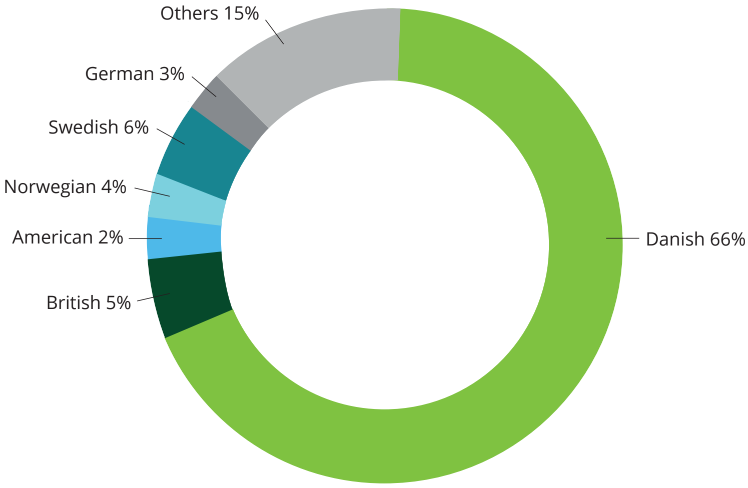


Source: Deloitte analysis

Nationality

393 board member nationalities were disclosed (representing c. 93% of the board members in our analysis). Of these, 66% of board members were Danish nationals, while Swedes, Brits, Norwegians, Germans and Americans were the next largest groups, comprising 2-6% of memberships each.

Nationality

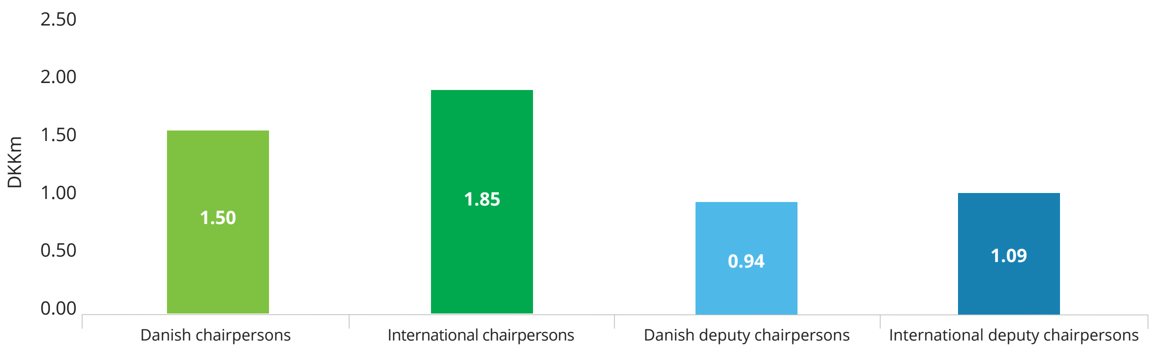


Source: Deloitte analysis
Note: 'Others' includes 60 members from other nationalities.

“We found that the median board member serving across the 45 listed companies in our sample was male, Danish, aged 57 and compensated on average DKK 0.75m.”

In the following chart, we look at the remuneration of Danish and international chairpersons and deputy chairpersons. Of the 29 Danish and 15 international chairpersons where nationality was disclosed, we found that international chairpersons were remunerated higher than their Danish counterparts by DKK 0.35m. International deputy chairpersons (eight in total) were remunerated at higher levels than their 36 Danish counterparts by DKK 0.15m. Please note that the sample sizes are quite small and that the companies significantly vary in both size and in the remit of their boards, which can explain some of the variations in pay.

Remuneration - Danish vs international chairpersons & deputy chairpersons

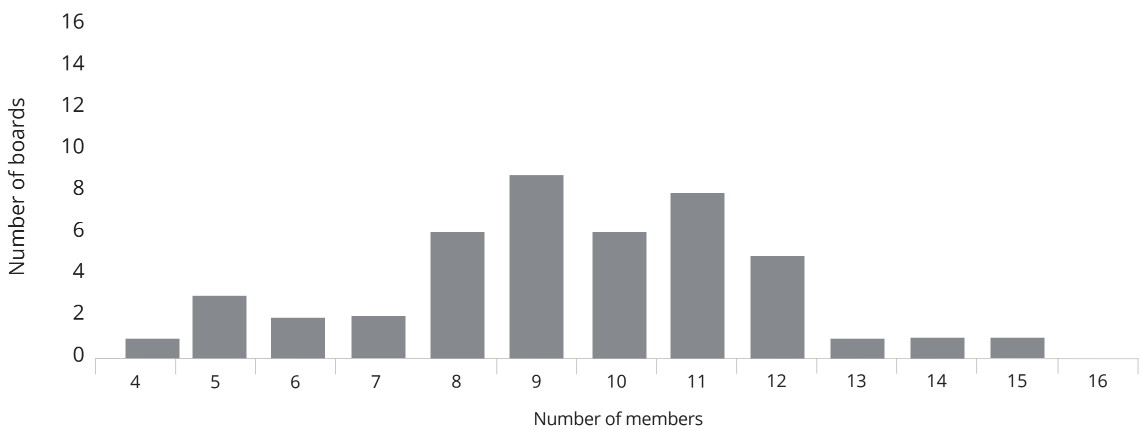


Source: Deloitte analysis

Board sizes

We have also looked at the size of company boards and note that there is a considerable variation in size ranging from four members to 15 members. The median board size was nine members.

Board sizes



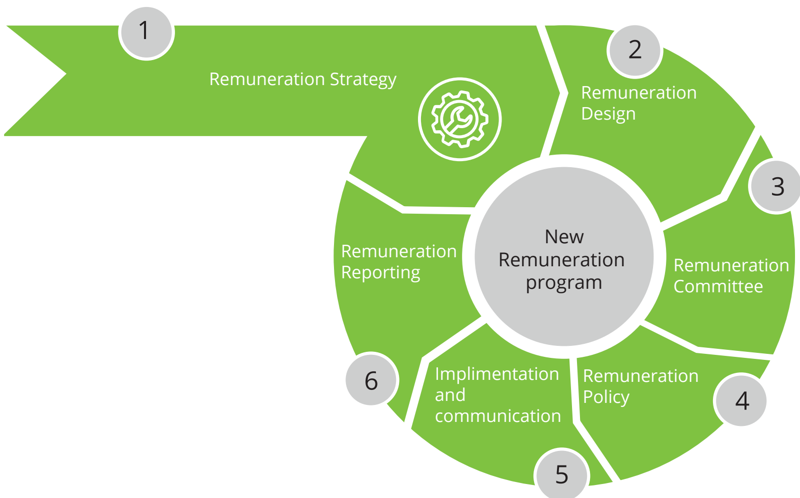
Source: Deloitte analysis

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 of incentive plan rules
Business relevant performance measures	Updates on market trends and corporate governance	Drafting of share scheme participant documentation
Cost effective funding and specialist advice on tax accounting, legal and financial issues	Executive and board pay benchmarking updates	Drafting of 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 rulings

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:

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Appendix

Companies included in the analysis

1. A.P. Møller - Mærsk A/S
2. ALK-Abelló A/S
3. Alm. Brand A/S
4. Ambu 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
15. DSV Panalpina 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

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