Remuneration in Danish Large-Cap Companies
Benchmarking executive management and board remuneration
2014-2018
Introduction

This report gives an overview of and insight into remuneration of executive directors and boards of listed companies within the Danish Large-Cap Index. In March 2019, the Danish Large-Cap Index comprised 39 companies, the names of which are listed in the appendix. These companies represent some of the largest Danish companies from a wide range of industries, from financial services to energy and supplies.

Over the year to the end of March 2019, two new companies entered the Danish Large-Cap Index. Netcompany Group A/S entered the index following its IPO in June 2018, while Ringkjøbing Landbobank A/S entered the Large-Cap Index in April 2018 following its merger with Nordjyske Bank. TDC A/S left the Index as it delisted most of its shares in May 2018, while NKT A/S was demoted from the Large-Cap Index to the Mid-Cap segment following the separate listing of the shares of Nilfisk Holding A/S. As Drilling Company of 1972 listed in April 2019, this company is not included in our analysis in this year’s report.

Out of all companies in the Danish Large-Cap Index, 36 companies have financial year-ends as of 31 December, while three companies have financial year-ends of either 31 August or 30 September. All companies had published their 2018 annual reports by the end of March 2019. The report is therefore based on the data from 39 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. For all the analysed benchmarks, we report the number of companies for which the required data has 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. Although reporting this level of detail for all individual members of management is not a requirement, it is however best practice guidance from the Committee on Corporate Governance. Long-Term Incentive (LTI) programmes must also be disclosed separately in their entirety, which includes all participants, both executives and non-executives. Where applicable, we have compared our findings with previous studies performed on the Danish market to put recent developments into a long-term perspective.

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 its relevance to your particular 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 42 share listings, of which three were listings of multiple share classes (39 individual companies) as of March 2019. The index includes Danish listed companies with a market cap above EUR 1bn.

2. https://corporategovernance.dk/recommendations-corporate-governance
### Key findings

1. **Variable vs fixed**
   - Variable remuneration as a share of total pay increased 1%-point compared to last year based on this year’s analysis
   - Variable pay: 37%  
   - Fixed pay: 63%
   - Variable remuneration of executive directors comprises c. 37% of total remuneration – 1%-point increase compared to last year’s analysis
   - Variable remuneration, in the form of bonuses and long-term incentives, has increased since 2014 when it formed 31% of total remuneration

2. **Base salaries**
   - 2018 median annual salary changes  
   - CEOs: 2.7%  
   - CFOs: 7.7%
   - Base salaries have increased since 2013, but have slowed in 2017 and 2018 for CEOs, while it increased significantly in 2018 for CFOs catching up compared to last year’s analysis
   - Since 2014, CEOs, CFOs and other executive directors have experienced median base salary increases of 5.4% p.a., 4.7% p.a. and 2.3% p.a., respectively

3. **Annual bonus**
   - Median bonus as percentage of base salary for all executive directors  
   - 2018: 42%  
   - 2017: 44%
   - Median bonus payouts as a percentage of base salary increased from 38% in 2014 to 42% in 2018
   - Maximum bonus allocations as a percentage of base salary decreased to an average of 82% for CEOs and an average of 78% for other executive directors in 2018

4. **Long-term incentives**
   - Median LTI allocation as percentage of base salary  
   - 2018: 35%  
   - 2017: 36%
   - Since 2014, allocation of long-term share-based payments as a percentage of base salary have increased from 27% to 35% across all executive directors
   - Performance and restricted share units are popular forms of long-term share-based payment, however also use of options have increased significantly compared to 2017
   - Vesting criteria disclosure remains, on the whole, poor

5. **Board pay**
   - Median total board pay was DKK 5.8m (2017: DKK 5.5m)
   - Percentage of female board members in Danish Large-Cap declined to 27% (2017: 29%)
   - Average board member pay, including committee fees, was unchanged at c. DKK 0.7m (2017: DKK 0.7m)
   - Median total pay for Chairpersons was c. DKK 1.5m (2017: DKK 1.4m)
   - Median total board pay was DKK 0.3m higher in 2018 compared to 2017
   - There were no female chairpersons in Danish Large-Cap in 2018 or 2017, and only 20% of deputy chairpersons were female in Danish Large-Cap
Current trends

The Danish market environment
Danish management remuneration practices vary more widely across companies compared to other Scandinavian countries. This is evident in the variety of bonus and long-term incentive approaches, as well as in other policy issues such as board discretion, clawback and extraordinary remuneration clauses. This company-by-company approach continues to be underpinned by the best practice recommendations of the Committee on Corporate Governance, which are principle-based and mostly non-prescriptive. The Danish model therefore contrasts to other countries where the governance codes are more prescriptive and a conformity in incentive plan design prevails.

As per our 2017 report, our 2018 benchmark study has shown that the trend of awarding executives a greater share of their overall pay package as variable remuneration in the form of share-based payments and short-term bonuses has continued. While there is a wide range of practice in the quality of remuneration disclosures, we note that several companies have increased their level of disclosure in companies’ remuneration reports, even those companies that did not put a new policy to shareholders at the 2019 AGM. This is seen in the enhanced reporting for ex post outcomes of performance against variable pay metrics, which is increasingly becoming more comprehensive relative to prior years, and greater detail around the role of remuneration and the link to the organisations’ strategy, the rationale for performance metrics adopted, and in other remuneration elements. In respect of the reporting of the actual split of remuneration components by each reported director, 85% of companies reported the individual pay components for the CEO in their annual report (79% in 2017), the breakdown for CFOs and other executive directors reporting in this respect was 76% (68% in 2017) and 42% of companies (30% in 2017), respectively.

All Danish companies in our study had a remuneration policy available online. A total of 21 incentive guidelines for management across our sample were put to shareholders at the most recent AGM (mostly held in Q1 of 2019). This is perhaps surprising given that companies will be required to put a more compressive policy to their shareholders at the 2020 AGM in order to comply with the Shareholder Rights Directive. However, many of these amendments were ‘tidying up’ rather than fundamentally new policies. To provide some further context, we analysed these new incentive guidelines resolutions for a subset of companies, the OMX C25, as summarised below.

2019 AGM season (OMX C25)
We reviewed companies’ remuneration policies as well as the proxy adviser, ISS, voting guidance across the OMX C25, for annual general meetings held in 2019. Our analysis suggests that larger Danish companies adopted a ‘wait and see’ approach as they prepare for the introduction of the Shareholder Rights Directive (Directive 2007/36/EC, as amended by Directive (EU) 2017/828 (‘SRDII’) in Denmark.

"Our role 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 business and commercial circumstances."

Martin Faarborg
Corporate Governance Leader in Deloitte, Denmark
Of the 11 resolutions for guidelines on incentive pay for management tabled by OMX C25 companies at their 2019 AGM, only two companies received a vote against recommendation from the proxy adviser, ISS (compared to eight companies in 2018 receiving a vote against or a contentious for recommendation).

Of those companies that did introduce new or amended remuneration guidelines, we note the following themes:

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**Guidelines for Incentive-Based Compensation for Executive Management**

<table>
<thead>
<tr>
<th>Key themes</th>
<th>Changes approved</th>
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<tbody>
<tr>
<td><strong>SRDII preparation</strong></td>
<td>• Amendments to management/executive board incentive guidelines to tighten the link to the company’s strategy</td>
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<td>• Increased detail on the rationale for variable pay metrics</td>
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<td>• Clarification on the scope of board discretion</td>
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<td></td>
<td>• Introduction of an ex post disclosure approach for share awards on vesting</td>
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<td></td>
<td>• Clarification of or introduction of clawback terms</td>
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<td><strong>Incentive plan limits</strong></td>
<td>• Increases, in some cases significant increases, to share or option/warrant plans</td>
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<td></td>
<td>• Increases to annual bonus caps</td>
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<tr>
<td><strong>Long-term incentive changes</strong></td>
<td>• Introduction of a cap on vesting on the value of option plan awards</td>
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<td></td>
<td>• Amendments to performance conditions</td>
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This is a more muted picture compared to 2018, when more companies introduced a range of new incentive arrangements, including ex post caps, shareholding guidelines, post vesting holding periods, and new share-based incentive plans. As noted, the lower level of new incentive arrangements reflects a pragmatic view given that a new policy will be required to be put before shareholders at the 2020 AGM to comply with SRDII.

**Recommendations for good corporate governance in Denmark**

In November 2017, the Danish Committee on Corporate Governance released an amended set of recommendations for good corporate governance practice (soft law). Given the impending introduction of SRDII, we anticipate that these recommendations will be amended (or deleted) to align with the Danish SRDII implementation.
The Committee’s 2017 recommendations included:

• That companies prepare a remuneration report that discloses information on the total remuneration granted to each member of the board of directors and the executive board, both by the company itself and other associates in the group and associates for the last three years. Furthermore, information on the most important aspects of company retention and retirement/resignation policies be disclosed in the annual report and that the linkage between the remuneration of management and company strategy and other relevant related goals be explained. The remuneration report should be published on the company’s website.

• That the board of directors prepares a remuneration policy for the board of directors and the executive board, including:
  • a detailed description of the components of the remuneration for members of the board of directors and the executive board;
  • the reasons for choosing the individual components of the remuneration;
  • a description of the criteria on which the balance between the individual components of remuneration is based; and
  • an explanation of the connection between the remuneration policy and the company’s long-term value creation and relevant related goals.

• The remuneration policy should be approved by the annual general meeting and published on the company’s website at least every fourth year and upon any critical amendments.

The application of the recommendations varied in quality across our sample in 2018. SRDII will however introduce more detailed disclosures in the remuneration policy and the remuneration report.

**SRDII Implementation in Denmark**


The purpose of the Directive's rules is to ensure better rights and transparency for the shareholders of listed companies, and covers:

• Requirement for the preparation and approval of a remuneration policy;

• Requirement for the preparation and approval of an annual remuneration report;

• Approval of related party transactions, and disclosure of certain types of transactions;

• Companies’ right to identify shareholders; and

• Improved transparency in relation to institutional investors, asset managers and proxy advisors.

The requirement set to publish a remuneration policy and an annual remuneration report will replace the current requirement to prepare guidelines for incentive-based remuneration for management (which has been deleted from the Companies Act and replaced by revised wording). Companies with shares listed on a regulated market will be required to comply as of the first annual general meeting (AGM) in the financial year starting on 10 June 2019. Accordingly, the requirement for a new remuneration policy will be effective as of the 2020 AGM, and the first remuneration report under the new rules will be required to be presented at the 2021 AGM (in respect of the prior financial year).

**Remuneration policy**

The remuneration policy must be put before shareholders at least every four years, or in case of any...
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significant amendments. This vote is binding while the annual vote on the remuneration report is advisory (but must be a separate item on the AGM agenda). This means that if a new policy fails to gain approval, the company must continue to pay in accordance with the previously approved policy and submit a revised policy for approval at the next general meeting.

Denmark has allowed companies to deviate from specific elements of the remuneration policy in exceptional circumstances. The policy must specify the elements of executive remuneration, which may be deviated from. Exceptional circumstances must be considered necessary to serve the long-term interests and sustainability of the company as a whole.

The policy must be clear, understandable and set out:

- How the policy, and also specifically each component of variable remuneration, contributes to the business strategy and the long-term interests and sustainability of the company;

- The different components of fixed (including benefits in whatever form) and variable remuneration which can be awarded to directors and indicate their relative proportion;

- How the pay and conditions for employees of the company were taken into account when setting the remuneration policy;

- For awards of variable remuneration, set clear and comprehensive criteria for the award of variable remuneration (including an indication of financial and non-financial criteria including, where appropriate, criteria related to corporate social responsibility) and the methods applied to determine the extent to which the performance conditions have been achieved;

- The conditions for the company to reclaim variable remuneration as well as any deferral periods applicable to variable remuneration;

- Where share-based remuneration is awarded, specify vesting periods and, where applicable, retention of shares after vesting;

- The duration of directors’ contracts and their notice periods, the main characteristics of supplementary pension or early retirement schemes, the terms applicable in instances of termination, including any payment linked to termination; and

- The decision-making process followed for the determination, review and implementation of the policy, including measures to avoid or manage conflicts of interest and, where applicable, the role of the remuneration committee or other committees concerned.

Where the policy is revised, companies should describe and explain all significant changes and how they take into account the votes and views of shareholders on the policy and reports since the last vote. The policy, together with the date and the results of the vote, must be publicly disclosed online for as long as it is applicable.

Remuneration report

The European Commission issued its long-awaited guidance on the standardised reporting for the remuneration report in March 2019. The guidance is intended to help companies disclose clear, understandable, comprehensive and comparable information on directors’ remuneration which meets the requirements of SRDII. It does not aim at a ‘one-size-fits-all’ approach but 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 existing governance code.

Companies will be required to draw up a clear and understandable report providing an overview of remuneration awarded or due over the last financial year to individual directors, which will be subject to an advisory vote at the annual general meeting. The remuneration report must not 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 purpose. The same applies to personal data that relate to the individuals’ family situation.
We believe that similar developments to those seen in the UK in recent years can be expected in Danish Large-Cap Companies, as the Shareholder Rights Directive is implemented in Denmark over the coming years.

The company’s board is responsible for ensuring that the remuneration report is prepared and published in accordance with the provisions above, and a new provision has been inserted in the Danish Companies Act that the company’s external auditor must verify that the remuneration report contains the required information, cf. above.

At the AGM, an advisory vote is to be held on the remuneration report regarding the latest financial year. In the report for the following financial year, the company must explain how the result of the annual general meeting’s vote has been taken into account. 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 member states, has allowed small and medium-sized companies (defined as accounting classes B and C (medium) in the Danish Financial Statements Act) to submit the report for a discussion at the annual general meeting, rather than an advisory vote.

As soon as possible after the annual general meeting, the remuneration report must be published on the company’s website, at which it 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 auditor must ensure that the information requirements for the remuneration report are met. In the event that the auditor finds that the requirements have not been fulfilled, the auditor must make a separate declaration to this effect at the annual general meeting, unless the matter is stated in the auditor’s report on the annual report.

Structure of the remuneration report
The proposed framework is summarised below (explanatory notes in the guidance specify the relevant information to be provided):

1. Introduction – opening with a brief ‘highlights summary’, including key remuneration elements for the financial year, key events in the company’s business environment, key changes in directors, changes in the remuneration policy or its application. The introduction may also include comments on how a shareholder vote or views have been taken into account.

2. Total remuneration of directors – 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.

3. Share-based remuneration - information in respect of the grant and vesting of share awards or share options during the financial year, in a specified table format. This includes details of 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 or vesting date (the guidance states that companies may also want to include the IFRS value, either in narrative or an additional column). Where phantom awards are used, the table format should be applied where possible.

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4. Right to reclaim (‘malus and clawback’) – provide information on the use of any reclaim of variable remuneration during the financial year in the form of ‘malus’ or ‘clawback’.

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 of the company, including how performance criteria were applied.

6. A specified table format is provided in respect of variable remuneration paid during the year, and includes a description of financial and non-financial metrics, the relevant weighting of each metric, minimum and maximum target performance required and corresponding award under each criteria and actual award outcomes.

7. An explanation of any discretion used (upward or downward) should also be provided.

8. Derogations and deviations from remuneration policy – to provide 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 of remuneration and company performance – to be provided in a specified table format, over a five-year period. This includes change in remuneration for each individual director, 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.

10. Information on shareholder vote – to explain how the advisory vote on the previous remuneration report has been taken into account.

We outline below our perspective on preparing for the implementation of SRDII.

Preparing for SRDII implementation
Companies should not underestimate the considerable work required to comply with the remuneration policy requirements of SRDII as well as in following the standardised remuneration report guidelines. While the guidelines on standardised presentation of the remuneration report are non-binding, we anticipate that most Danish listed companies will broadly comply, building on the existing trend for more detailed disclosure observed in existing Danish remuneration policies (incentive guidelines) and remuneration reports.

In terms of the remuneration policy, the following reflects some of the key challenges that will need to be addressed.

Remuneration, long-term interests and sustainability. The quality of disclosure will vary and evolve in respect of this requirement. 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 cascade, the clarity of the rationale for the choice of metrics. It is also important to remember that the policy should be drafted in order to give flexibility in any given year.

Variable pay. 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 evolve with ‘good’ 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 level of detail of disclosure of variable pay metrics, review pros and cons of different disclosure approaches and the approach for evolving disclosure, as well as assess competitive practice and ‘lessons learnt’ in other regions.

Employee conditions. Under SRDII: “The policy shall explain how pay and employment conditions of
employees...were taken into account when setting the policy." Denmark has 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.

**Deviation** from the policy. The remuneration policy can be drafted so as 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 has gained some shareholder interest in Denmark. 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.

**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.

In respect of the remuneration report disclosures, while there is more time to comply, this is where the greatest degree of change from current practice will be required. Several of the key considerations are summarised below.

**Disclosure of performance measures and targets** adopted in variable pay plans. This is one aspect of disclosure that has evolved rapidly in Denmark over the last two years, with companies providing greater detail on the measures and, in some 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 Commission’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 Commission’s guidance here encourages companies to adopt a common method which reflects the market value of shares or underlying shares in the case of share options both at the time they are awarded and at the time of vesting. This is a departure from the Danish practice of using an IFRS value in the reporting of share/option values. A number of companies have, to date, moved to a market value approach but this is not the majority practice.

**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 is a new 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 consideration of this disclosure is warranted.

SRDII is a broad and ambitious piece of legislation. We fully anticipate the quality of remuneration policies and remuneration reports to evolve rapidly in the coming two years. Companies will benefit from planning their anticipated remuneration report early to both comply with SRDII as well as ensure that the remuneration report contains a meaningful narrative around ‘pay for performance’ outcomes.
"The purpose of incentive programmes is to align the interests of executive management with those of the shareholders and to ensure that management works towards achieving goals that are aligned with the company's strategy."
Remuneration of executive directors can generally be divided into fixed and variable remuneration. Fixed elements include base salary, pension and other remunerations (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. Below is a non-exhaustive overview of different types of LTIs.

The purpose of incentive programmes is to align the interests of executive management with those of the shareholders and to ensure that management works towards achieving goals that are aligned with the company strategy.

The goals of incentive programmes are typically one or more individual or 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 KPIs.

### Remuneration components

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<th>Programme</th>
<th>Description</th>
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<tr>
<td>Employee shares</td>
<td>Via a monthly salary reduction the employee may save up to buy shares - typically at a discount</td>
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<tr>
<td>Matching shares</td>
<td>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</td>
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<tr>
<td>Performance share unit and restricted stock units</td>
<td>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</td>
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<tr>
<td>Share-based options</td>
<td>The employee is granted the right to buy existing company shares in the future at a price determined in advance</td>
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<tr>
<td>Share-based warrants</td>
<td>The employee is granted the right to buy newly issued company shares in the future at a price determined in advance</td>
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Methodology

Data
The analysis in this report is based on the executive remuneration of companies included in the Danish Large-Cap Index as of end March 2019. 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 four or five financial periods that have been published. Our analysis therefore attempts to reflect, as accurately as possible, the salary levels effective during the financial years from 2014 to 2018. We have not applied any ageing factor to the disclosed salaries.

We have categorised main executive management positions into three main groups – the top full-time executive (CEO), the finance director (CFO) and other executive directors (Other Executive Directors). In some companies, the only executive management are the CEO and the CFO, 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 executive or finance director for every company.

For the analysis of total remuneration, STIs and LTIs, all companies where a remuneration split was provided for the remuneration of the total executive board or individuals for all five years have been included, leaving 29, 23, 16 and 10 companies for all executive directors, CEOs, CFOs and Other Executive Directors, respectively. We count each company as one observation in this analysis. In some cases where companies have 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 23, 16 and 10 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 individuals as observations for the pension analysis. This leaves 101 observations, although for 38 of these observations, a pension does 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 52 programmes.

For the analysis of board pay, we count each company as an observation. 35 companies disclose total board remuneration for each of the last four years, while 32 companies disclose remuneration of the chairperson for each of the last four years, while 32 companies provide a full breakdown of the remuneration of each individual board member for 2018.

Statistics
Throughout the report, data is presented by using the following statistics:

- Upper quartile – separates the top 25% of a sample from the bottom 75%
- Median – the middle point 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 a company’s annual report, and according to the recommendations by the Danish Committee on Corporate Governance, further details per individual executive director are to be provided in the new remuneration report for 2018 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 2018:

**Companies disclosing a remuneration breakdown for:**

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>The total executive board</td>
<td>39 of 39</td>
<td>100%</td>
</tr>
<tr>
<td>CEOs</td>
<td>34 of 40</td>
<td>85%</td>
</tr>
<tr>
<td>CFOs</td>
<td>26 of 32</td>
<td>81%</td>
</tr>
<tr>
<td>All individual executive directors</td>
<td>15 of 33</td>
<td>45%</td>
</tr>
</tbody>
</table>

Below we show the composition of remuneration of executive directors for the last four years. Around 54% of executive directors’ remuneration consisted of base salary in 2018, while variable pay (bonus and LTI) comprised around 37%. During the last four years, the split between fixed and variable pay has remained steady. Average base salary of executive directors also increased considerably during this period (see below), while bonus and LTI payments also increased.

**Remuneration of executive directors 2015-2018**

<table>
<thead>
<tr>
<th>Year</th>
<th>Fixed Salary</th>
<th>Bonus</th>
<th>LTI</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>57%</td>
<td>6%</td>
<td>19%</td>
<td>17%</td>
</tr>
<tr>
<td>2016</td>
<td>57%</td>
<td>6%</td>
<td>18%</td>
<td>18%</td>
</tr>
<tr>
<td>2017</td>
<td>57%</td>
<td>6%</td>
<td>17%</td>
<td>19%</td>
</tr>
<tr>
<td>2018</td>
<td>54%</td>
<td>6%</td>
<td>18%</td>
<td>19%</td>
</tr>
</tbody>
</table>

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 four years have been included. This includes 33 companies.
The figure below shows that CEOs received between 38% and 40% of their remuneration in the form of variable pay between 2015 and 2018. Like executive directors in general, CEOs' variable remuneration in general has been stable in recent years, but accounted for 2%-point more in 2018 compared to 2017.

**CEO remuneration 2015-2018**

<table>
<thead>
<tr>
<th>Year</th>
<th>Base salary</th>
<th>Pension</th>
<th>Other</th>
<th>Bonus</th>
<th>LTI</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>53%</td>
<td>7%</td>
<td>1%</td>
<td>22%</td>
<td>17%</td>
</tr>
<tr>
<td>2016</td>
<td>53%</td>
<td>6%</td>
<td>1%</td>
<td>19%</td>
<td>20%</td>
</tr>
<tr>
<td>2017</td>
<td>54%</td>
<td>6%</td>
<td>1%</td>
<td>17%</td>
<td>21%</td>
</tr>
<tr>
<td>2018</td>
<td>52%</td>
<td>6%</td>
<td>2%</td>
<td>20%</td>
<td>20%</td>
</tr>
</tbody>
</table>

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 four years have been included. Furthermore, we apply both CEOs for GN Store Nord. This includes 25 companies and 26 observations.

A similar analysis for CFOs reveals that variable pay made up 43% of their total pay package in 2018, which is 1%-point higher compared to 2015 when variable pay accounted for 42% of total remuneration. Moreover, we saw a noticeable fall in the proportion of pay in the form of variable remuneration in 2016, although it has reversed in 2017 and in 2018.

**CFO remuneration 2015-2018**

<table>
<thead>
<tr>
<th>Year</th>
<th>Base salary</th>
<th>Pension</th>
<th>Other</th>
<th>Bonus</th>
<th>LTI</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>52%</td>
<td>5%</td>
<td>1%</td>
<td>21%</td>
<td>21%</td>
</tr>
<tr>
<td>2016</td>
<td>59%</td>
<td>5%</td>
<td>1%</td>
<td>20%</td>
<td>15%</td>
</tr>
<tr>
<td>2017</td>
<td>55%</td>
<td>5%</td>
<td>1%</td>
<td>20%</td>
<td>19%</td>
</tr>
<tr>
<td>2018</td>
<td>48%</td>
<td>5%</td>
<td>4%</td>
<td>21%</td>
<td>22%</td>
</tr>
</tbody>
</table>

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 four years have been included. This includes 19 companies.
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. Interestingly, we saw CFO variable remuneration fall in 2016, but in 2017 and again in 2018, it appears that the proportion of variable remuneration in executive director pay packages has accelerated again for CFOs to 43%.

**Variable pay 2014-2018**

![Graph showing the percentage of variable pay for CEOs, CFOs, and Other Executive Directors from 2014 to 2018.]

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 2014-2018, leaving 23, 16 and 10 companies for CEOs, CFOs and Other Executive Directors, respectively. Furthermore, we apply both CEOs for GN Store Nord.

**Comparison with previous studies**

Bechmann & Nielsen (2012)\(^3\) compares the composition of remuneration for CEOs in Danish listed companies with similar studies from other countries. The figure below illustrates the results divided into four categories ("Fixed salary", "Other", "Bonus" and "LTI"). The results indicate that base salary constitutes a relatively large share of 62% of total remuneration for Danish CEOs compared with the US and the UK, where base salary is only 29% and 46% of total remuneration, respectively.

These results, which are based on data available in the 2010 annual reports, are consistent with the findings of our study, which show that remuneration of Danish executives in 2013 consisted mainly of a base salary (62%).

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However, as already mentioned, our study indicates that base salary’s relative share of total remuneration decreased between 2015 and 2018. This indicates – to some extent – an increasing alignment of remuneration of Danish companies with remuneration in the US, the UK and Continental Europe. We expect this development to continue in the coming years.

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

### Composition of total remuneration

<table>
<thead>
<tr>
<th></th>
<th>Fixed salary</th>
<th>Other</th>
<th>Bonus</th>
<th>LTI</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>29%</td>
<td>6%</td>
<td>20%</td>
<td>40%</td>
</tr>
<tr>
<td>UK</td>
<td>46%</td>
<td>9%</td>
<td>18%</td>
<td>28%</td>
</tr>
<tr>
<td>Continental Europe</td>
<td>55%</td>
<td>13%</td>
<td>21%</td>
<td>12%</td>
</tr>
<tr>
<td>Denmark</td>
<td>62%</td>
<td>5%</td>
<td>20%</td>
<td>14%</td>
</tr>
</tbody>
</table>

Source: The results for the US, the UK and Continental Europe are from Conyen et al. (2011) and are based on information on remuneration in annual reports. The results for other pay in Denmark are from Bechmann (2011) and are from an analysis of 39 listed companies in Denmark, with information based on the remuneration disclosed in annual reports. “Fixed salary”, “Bonus” and “LTI” for Denmark are based on an average for 114 listed companies (94 with incentive-based payment and 20 without).
"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 Shareholder Rights Directive takes effect and allows for a more consistent comparison of remuneration practices."
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 2018 is depicted below, along with the development of the 25th, the median (50th percentile) and the 75th percentile during the last five years. In 2018, CEO base salary ranged between DKK 3.7m and DKK 12.4m, with the CEO of Carlsberg receiving the highest base salary. The median base salary has increased in each of the last four years, most recently at DKK 8.4m in 2018. This corresponds to an increase of c. 5.4% p.a. from 2014 to 2018. Median CEO base salaries increased by 2.7% in 2018 compared to 2017.

CEO base salaries 2018 (left) and percentiles for 2014 to 2018 (right)

Source: Deloitte analysis
Note: The graph to the left represents the 34 CEOs where base salary was disclosed in 2018, whereas the graph to the right represents the 23 CEOs where base salary was disclosed in all five years. For GN Store Nord, both CEOs have been included.
The median CFO base salary was DKK 5.1m in 2018, having increased by c. 7.7% in the most recent year alone catching up from no increase in 2017. Base salaries for CFOs at the 25th percentile have shown a significant increase of 14.3% p.a. and at the 75th percentile, base salaries for CFOs have shown a decline of 1.0% p.a. compared to 2017.

CFO base salaries 2018 (left) and percentiles for 2014 to 2018 (right)

Source: Deloitte analysis
Note: The graph to the left represents the 26 CFOs where base salary was disclosed in 2018, whereas the graph to the right represents the 16 CFOs where base salary was disclosed in all five years.
For Other Executive Directors, the median base salary was DKK 4.5m, which is still lower than that of the CFOs in our analysis this year.

**Other Executive Directors’ base salaries 2018 (left) and percentiles for 2014 to 2018 (right)**

Source: Deloitte analysis
Note: The graph to the left represents the 30 Other Executive Directors where base salary was disclosed in 2018, whereas the graph to the right represents the 10 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 2018 are depicted below for all disclosed executive directors. 38 of the 101 executive directors (where individual pension compensation was disclosed) received no direct pension contribution in 2018. Among those who did, there was a large dispersion, with pension contributions ranging between <1% and 46% of base salary. Furthermore, it appears that CEOs received higher pension contributions than CFOs and Other Executive Directors, on average.

Pension contribution as a percentage of base salary in 2018

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 (18 observations), CFO (14 observations) and Other Executive Directors (31 observations). Data from 39 companies has been included in 2018 analysis.

As comparison with 2017, the average pension contribution for CEOs, CFOs and Other Executive Directors was 21.7%, 19.1% and 19.8%, respectively, using the data from this year’s analysis.
Bonus

Below we present the actual payout of short-term bonus as a percentage of annual salaries for individual executive directors, where information was disclosed. 31 of 101 executive directors (where individual remuneration details were disclosed) received no bonus in 2018. As can be seen from the figure below, payout varied considerably and was observed between 6% and 150% of base salary. We observe that CEOs received the largest average bonus payments, while CFO bonus payments increased compared to last year and are now at a similar level to CEOs. Other Executive Directors still receive lower average bonus payments compared to the CEOs and CFOs.

**Bonus payout as a percentage of base salary in 2018**

Looking at the development from 2014 to 2018, median bonus payout total for all executive directors increased from 38% to 42% of base salary. In the same period, there was also a large dispersion of relative bonus payouts between the 25th and 75th percentiles. In nominal amounts, the median bonus payout increased from DKK 2.5m to DKK 4.0m for CEOs and from DKK 2.0m to DKK 2.5m for CFOs. This corresponds to an increase of 12.3% p.a. and 5.6% p.a., respectively.

Source: Deloitte analysis
Note: All individual executive directors with disclosed short-term bonus and base salary have been included in the CEO (25), CFO (22) and Other Executive Directors (23) categories. Companies that did not disclose individual executive remuneration splits have been excluded. Data from 33 companies have been included in 2018.
Total for all executive directors – development in bonus payout as a percentage of base salary (left) and DKKm (right)

Source: Deloitte analysis. Note: Companies that did not disclose their overall executive management remuneration breakdown have been excluded. Only observations disclosed for each of the last five years have been included, leaving 16 companies.

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 23 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 16 companies.
**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 2018. As can be seen, the maximum bonus allocations vary considerably across the companies shown, ranging from 25% all the way up to 200%. In almost all cases, the CEO’s cap is set higher than, or the same as, other executive directors. The average cap was 82% (2017 analysis: 87%) for CEOs and 78% (2017 analysis: 79%) for other executive directors.

**Maximum bonus allocation as a percentage of base salary**

![Chart showing maximum bonus allocation as a percentage of base salary](image)

Source: Deloitte analysis
**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.

**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 2018 have been excluded, leaving 34 companies.
Long-term incentives (LTIs)

Of the 39 companies analysed, there were only eight companies that did not have an active LTI programme in 2018. The remaining 31 companies have 52 separate 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 five categories as presented in the introduction, namely “Matching shares”, “Performance Share Units (PSUs)”, “Restricted Stock Units (RSUs)”, “Options” and “Warrants”. As seen from the table, the RSU structure is the most commonly used structure, followed by Options and PSUs.

"There were 31 companies with 52 separate, active LTI programmes in 2018."

Vesting criteria for LTI programmes as of 2018

In order to give management incentive to make the right decisions in alignment with the business strategy, the variable payment is conditional on some vesting criteria which measure the performance of the executive who would receive the variable pay. If the vesting criteria are not met, all or part of the receiver’s variable pay may lapse. Of the 52 active LTI programmes in 2018, 9 applied no vesting criteria. Of those that did, we see large differences in the types of vesting criteria applied in the different LTI programmes and the level of detail disclosed about them.

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

In terms of disclosure, for 21% of the LTI programmes it was not clearly disclosed what vesting criteria applied, while for 15% of the programmes it was not clearly disclosed whether vesting criteria applied at all. This is clearly an area where Danish Large-Cap Companies will need to improve disclosures over the coming years.
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**: Those 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, 7 of the 31 companies, which have active LTI programmes, chose not to disclose this information on any of their LTI programmes. Among the companies that did disclose their valuation basis, there is a clear tendency of evaluation being on a company-wide basis.

**How companies measure vesting criteria**

<table>
<thead>
<tr>
<th>Absolute / relative</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Absolute</td>
<td>20%</td>
</tr>
<tr>
<td>Both</td>
<td>14%</td>
</tr>
<tr>
<td>Relative</td>
<td>20%</td>
</tr>
<tr>
<td>Undisclosed</td>
<td>46%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>54%</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Individual or company-wide</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Both</td>
<td>20%</td>
</tr>
<tr>
<td>Company-wide</td>
<td>60%</td>
</tr>
<tr>
<td>Individual</td>
<td>0%</td>
</tr>
<tr>
<td>Undisclosed</td>
<td>20%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>80%</strong></td>
</tr>
</tbody>
</table>

Source: Deloitte analysis

We have excluded those schemes where it is unclear whether vesting criteria apply, resulting in a sample size of 35 schemes. “Undisclosed” above indicates that the scheme does apply vesting criteria but it is unclear what they are.
Valuation

LTI is measured in the consolidated financial statements according to the principles set out by IFRS 2. Typically, the fair value is determined on the allocation date, i.e. grant date expensed linearly over the vesting period. 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 framework. This framework is applied for the valuation of 46% of all LTI programmes. Perhaps most notably, 27% of all LTI programmes do not have a clearly disclosed valuation method. 23% of all LTI programmes are valued by using the company’s share price. The final 4% of the programmes are valued applying a Monte Carlo valuation method.

<table>
<thead>
<tr>
<th>Valuation methodology</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Black-Scholes</td>
<td>46%</td>
</tr>
<tr>
<td>Monte Carlo</td>
<td>4%</td>
</tr>
<tr>
<td>Share Price</td>
<td>23%</td>
</tr>
<tr>
<td>Undisclosed</td>
<td>27%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Source: Deloitte analysis

The disclosed fair value of most LTI programmes only partly represents the potential maximum payout at exercise or programme expiry. Moreover, as IFRS 2 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 warrants at grant.

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 three years. For programme duration, the average time is five years, although there is more variation 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

![Graph showing vesting period and programme expiry]

Source: Deloitte analysis
**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 than outstanding LTI share equivalents.

**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 29 companies.
In the graph below, the size of yearly LTI issuance of shares or share equivalents during the last five years can be seen. 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 increased from 0.09% to 0.12% between 2014 and 2018. The median and upper percentiles have both increased, while the lower percentile has remained relatively stable. With a five-year average duration, yearly issuance of between 0.12% (median) and 0.35% (75th percentile) of the share capital will entail that the total size of programmes will comprise between c. 0.6% and 1.4% of the total share capital. Compared to the current average size of LTI programmes (c. 1.2%), this indicates that the sizes of LTI programmes could remain at similar levels in the near future.}

### Yearly LTI issuance as a percentage of outstanding shares

![Graph showing yearly LTI issuance as a percentage of outstanding shares from 2014 to 2018. The graph includes the 25th percentile, median, and 75th percentile for each year.]

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 28 programmes.
As an alternative measure of the size of LTI programmes, we also measured the yearly LTI allocations to an executive director as a percentage of the respective director’s base salary. Our analysis shows that the median executive director received 34% in LTI as a proportion of base salary in 2018, which generally increased each year since 2014 when the same figure was 26%. For a CEO in 2018, the median LTI allocation was 39%, which is equivalent to over four months’ base salary. The trends during the last four years are different for the three groups, with CEOs and all executive directors showing a general increase, but declining in 2018 to 39% for CEOs while CFOs’ LTI allocations fell between 2014 and 2016, before increasing in 2017 and again in 2018 to 42%.

We observe median nominal LTI allocations of DKK 6.3m, DKK 2.6m and DKK 2.1m in 2018 for all executive directors, CEOs and CFOs, respectively.

### 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 29 companies.

### 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 23 companies.
Companies that did not disclose their CFO remuneration breakdown have been excluded. Source: Deloitte analysis

Only observations disclosed for each of the last five years have been included, leaving 16 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 are 106% (2017 analysis: 86%) and 65% (2017 analysis: 50%), respectively, while maximum permissible allocations in 2018 still vary from 10% all the way up to 400% as it did in 2017.

Maximum allocation as a percentage of base salary

Source: Deloitte analysis
**Governance**

For all companies, the remuneration policies and incentive pay guidelines are readily accessible on their websites. The remuneration policies vary in the level of detail, but in general offer good descriptions of the companies’ overall policies. These policies include details on whether caps have been implemented with regard to the maximum size of yearly bonus and LTI awards/allocations. 36 of the 39 companies that permit LTI programmes have applied caps on LTI allocations, while all companies (except one) with bonus programmes have caps in place.

One company has moreover applied a cap to the maximum payout of the LTI at exercise, a trend that is also increasingly seen in an international context.

For financial companies, there are specific regulations set out for variable pay, including requirements for deferral of payout of variable awards. The OMX Large-Cap Index includes eight financial institutions, however, as Spar Nord and Ringkøbing Landbobank do not apply variable remuneration, our sample below only includes six financial institutions. Interestingly, only 10% of the 31 non-financial companies have also adopted deferral of variable pay.

### Deferral

<table>
<thead>
<tr>
<th></th>
<th>Non-financial</th>
<th>Financial</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apply deferral</td>
<td>3</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>Do not apply deferral</td>
<td>26</td>
<td>4</td>
<td>30</td>
</tr>
<tr>
<td>Not clearly disclosed</td>
<td>2</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>31</strong></td>
<td><strong>8</strong></td>
<td><strong>39</strong></td>
</tr>
</tbody>
</table>

Source: Deloitte analysis

59% of the 39 companies, based on information from remuneration policies, have adopted clawback provisions for malus or material misstatement. This is an increase of more than 20% compared to last year.

### Clawback

<table>
<thead>
<tr>
<th></th>
<th>Non-financial</th>
<th>Financial</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apply clawback</td>
<td>17</td>
<td>6</td>
<td>23</td>
</tr>
<tr>
<td>Do not apply clawback</td>
<td>10</td>
<td>1</td>
<td>11</td>
</tr>
<tr>
<td>Not clearly disclosed</td>
<td>4</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>31</strong></td>
<td><strong>8</strong></td>
<td><strong>39</strong></td>
</tr>
</tbody>
</table>

Source: Deloitte analysis
Executive Shareholding Guidelines

In this section, we look at companies with published shareholding guidelines for executives. Four companies had disclosed these in 2018 (we were not able to discern whether companies did have guidelines but had chosen not to disclose them). Of these four companies, the average guideline shareholding was 98% and 74% of base salary for CEOs and CFOs respectively, while the actual shareholding was 70% and 63%.

We also looked at the average actual shareholding as a percentage of base salary across all companies, where this was disclosed, and found that CEOs held a significantly higher percentage of stock relative to their base salary compared with CFOs, of 90% compared to 65%.

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

All 39 companies in consideration disclosed aggregated remuneration of the board in 2018. Only four companies did not disclose remuneration of the chairpersons for 2018.

Looking at the development in board remuneration, there is a tendency of a general increase from year to year, as the average and median (50th percentile) indicate. The top and bottom 25% of boards were also paid more in 2018. Over the four-year period from 2015 to 2018, the average remuneration increase that boards experienced was c. 4.1% p.a.

**Aggregate board remuneration**

![Bar chart showing aggregate board remuneration from 2015 to 2018](chart1)

Source: Deloitte analysis

From the median, a similar increase can be seen in the remuneration of chairpersons. From year to year, there is a steady increase in remuneration, although there have been some more volatile changes at the 25th and 75th percentiles, which results in an average annual increase of c. 1.2% p.a. from 2015 to 2018.

**Remuneration of chairpersons**

![Bar chart showing remuneration of chairpersons from 2015 to 2018](chart2)

Source: Deloitte analysis

Note: Only companies that disclosed chairperson remuneration over the last four years have been included, leaving 36 companies.
We have also looked at the distribution of chairperson remuneration, which varied from DKK 350k to DKK 3.2m, with a median value of DKK 1.35m (2017 analysis: DKK 1.2 m).

Looking at the additional remuneration which directors received for serving as a chairperson or as a deputy chairperson, the variability of figures was more constrained. Typically, chairpersons would still receive, on average, three times the remuneration of ordinary board members, while deputy chairpersons would still receive twice the amount.

We found that the base board member remuneration varied considerably, with a median value of DKK 0.36m (2017 analysis: DKK 0.34m).

### Board base pay

We have also looked at the disclosed base pay of ordinary board members as well as the disclosed additional allowance for serving as the chairperson or deputy chairperson (note that this may differ from actual member pay due to members serving additional positions, such as being a member of the audit committee etc., as well as other factors).

<table>
<thead>
<tr>
<th>Member base pay (DKKm)</th>
<th>Chair pay multiple</th>
<th>Deputy chair pay multiple</th>
<th>Audit co chair pay multiple</th>
<th>Audit co member pay multiple</th>
<th>Rem co chair pay multiple</th>
<th>Rem co member pay multiple</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highest</td>
<td>0.7</td>
<td>7.0x</td>
<td>4.6x</td>
<td>3.0x</td>
<td>2.5x</td>
<td>3.0x</td>
</tr>
<tr>
<td>Median</td>
<td>0.4</td>
<td>3.0x</td>
<td>2.0x</td>
<td>1.6x</td>
<td>1.3x</td>
<td>1.5x</td>
</tr>
<tr>
<td>Lowest</td>
<td>0.2</td>
<td>2.5x</td>
<td>1.4x</td>
<td>1.3x</td>
<td>1.1x</td>
<td>1.2x</td>
</tr>
<tr>
<td>Average</td>
<td>0.4</td>
<td>3.4x</td>
<td>2.1x</td>
<td>1.7x</td>
<td>1.4x</td>
<td>1.6x</td>
</tr>
</tbody>
</table>

Source: Deloitte analysis
Board demographics

Also this year, we have included analyses on the demographics of company board members, 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 39 listed companies included in this analysis was male, Danish, aged 56 and compensated c. DKK 550k.

**Gender distribution**

There were 370 board members serving across the 39 companies analysed as disclosed in their 2018 annual reports. All 39 chairpersons were male, while of the 41 deputy chairpersons, 80% were male. For other board members, c. 69% were male.

The average chairperson received c. DKK 1.3m, while male deputy chairpersons received on average DKK 0.29m less than their female counterparts. Of other board members, male members received pay that was on average DKK 0.14m lower than that of their female counterparts. 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.

Source: Deloitte analysis

Graphs showing board members (total), chairpersons, and deputy chairpersons with breakdown of male and female percentages.
**Age distribution**

Board member age was disclosed for all board members serving the companies analysed. The average member age was 56 years (2017 analysis: 57 years), while members’ age ranged over 47 years (2017 analysis: 39 years) from 29 (2017 analysis: 38) to 76 (2017 analysis: 77).

We also looked at the relationship between gender and age to gain insight into whether the gender imbalance might equalise in the future. We see that there are significantly more older men than older women (over 60 years old), while between the ages of 34 and 50 more women are represented on the boards, however still underrepresented across the total populations. As such, we could postulate that all things being equal, women will make up a greater proportion of board membership in future years, although they will remain underrepresented as a whole as there are still more younger men taking board positions than women.

Source: Deloitte analysis
Nationality
249 member nationalities were disclosed (c. 67% of all members from companies analysed). Of these 249 member nationalities disclosed, 71% of board members were Danish nationals, while Brits, Americans, Norwegians, Swedes and German were the next largest groups, making up 2-5% or more of the respective demographic.

“We found that in 2018, the median board member serving on the 39 companies analysed was male, Danish, aged 56 and compensated c. DKK 550k.”
In the following chart, we look at the remuneration of Danish and international chairpersons and deputy chairpersons. Of the 15 Danish and 18 international chairpersons where nationality was disclosed, we found that international chairpersons were remunerated better than their Danish counterparts by c. DKK 0.36m. The average of the 18 international deputy chairpersons were paid the same as the average of the 17 Danish deputy chairpersons. Note that the sample sizes are quite small and that companies vary in size significantly as does the remit of various boards, which can explain some of the variations in pay.

### Board sizes
We have also looked at the size of company boards and note that there is a considerable variation in size ranging from five members to 14 members. The median board size was nine members.
How can Deloitte help?

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.

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.

### One team

<table>
<thead>
<tr>
<th>Design</th>
<th>Remuneration committee advisers</th>
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</thead>
<tbody>
<tr>
<td>Strategic plan design</td>
<td>Insight on shareholder views and assistance with consultation</td>
</tr>
<tr>
<td>Business relevant performance measures</td>
<td>Updates on market trends and corporate governance</td>
</tr>
<tr>
<td>Cost effective funding and specialist advice on tax accounting, legal and financial issues</td>
<td>Executive pay benchmarking updates</td>
</tr>
<tr>
<td>All-employee schemes</td>
<td>Assistance with drafting remuneration reports</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Implementation &amp; communication</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drafting of incentive plan rules</td>
</tr>
<tr>
<td>Drafting of share scheme participant documentation</td>
</tr>
<tr>
<td>Drafting of employee communication documents</td>
</tr>
<tr>
<td>Tax assistance, global tax analysis, tax efficient arrangements, tax guides and binding rulings</td>
</tr>
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</table>
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:

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

**Martin John Connie**
Director
Valuation Services
Financial Advisory
Tel. +45 30 93 43 51
mconnie@deloitte.dk

**Marek Bartosz Jarzecki**
Manager
Valuation Services
Financial Advisory
Tel. +45 30 93 44 99
mjarzecki@deloitte.dk

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

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

**Robert Miller**
Partner
Compensation and reward
Tax
Tel. +44 7717 440 625
robemiller@deloitte.co.uk

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Appendix

Companies included in the analysis

A.P. Møller - Mærsk A/S  Netcompany Group A/S
ALK-Abelló A/S  Nilfisk Holding A/S
Alm. Brand A/S  Nordea Bank AB
Ambu A/S  Novo Nordisk A/S
Carlsberg A/S  Novozymes A/S
Chr. Hansen Holding A/S  Pandora A/S
Coloplast A/S  Ringkjøbing Landbobank A/S
Danske Bank A/S  Rockwool International A/S
Demant A/S  Royal Unibrew A/S
DFDS A/S  Scandinavian Tobacco Group A/S
DSV A/S  Schouw & Co. A/S
FLSmidth & Co. A/S  SimCorp A/S
G4S PLC  Spar Nord Bank A/S
Genmab A/S  Sydbank A/S
GN Store Nord A/S  Topdanmark A/S
H. Lundbeck A/S  Tryg A/S
ISS A/S  Vestas Wind Systems A/S
Jeudan A/S  Ørsted A/S
Jyske Bank A/S  Össur hf
Københavns Lufthavne A/S
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