



**Remuneration in Danish
Large-Cap Companies**

Benchmarking executive
management and board remuneration

2017-2021

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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

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