

Executive Compensation at Deloitte

Delivering global insight and experience

March 2024





A perspective on the global landscape

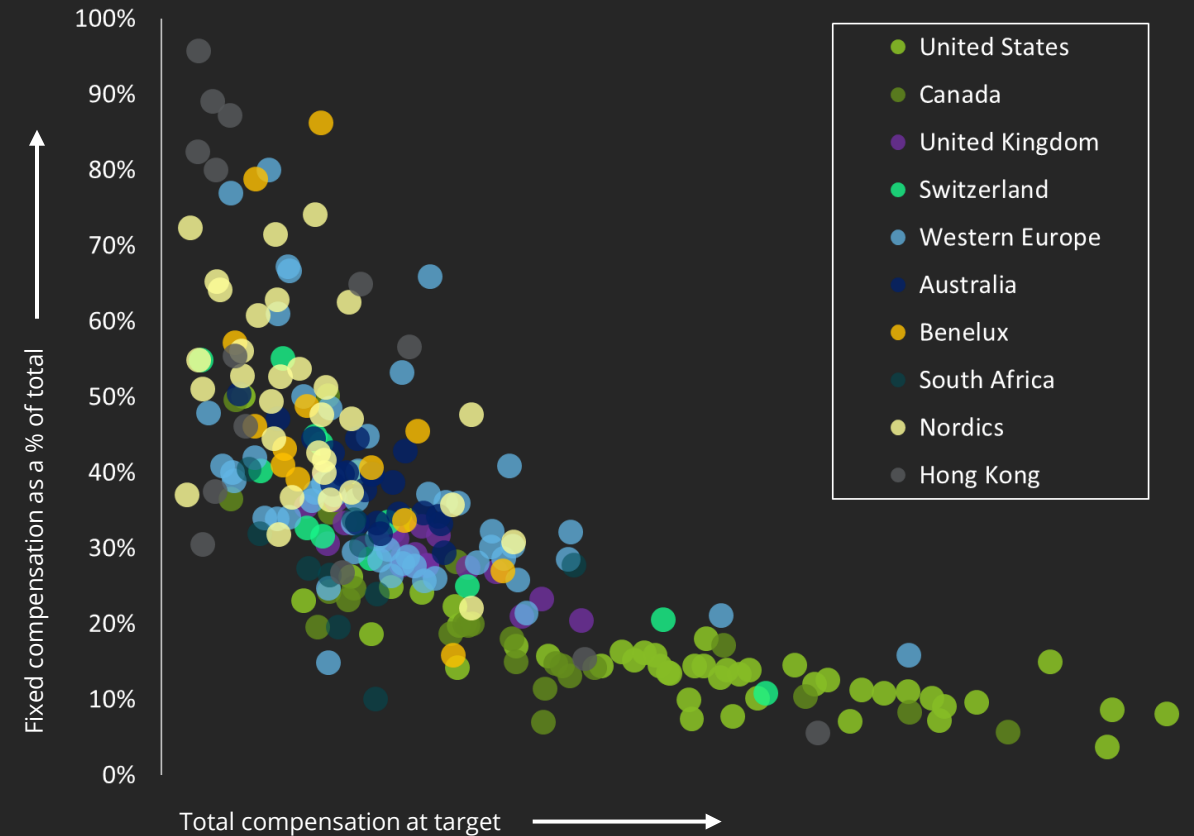
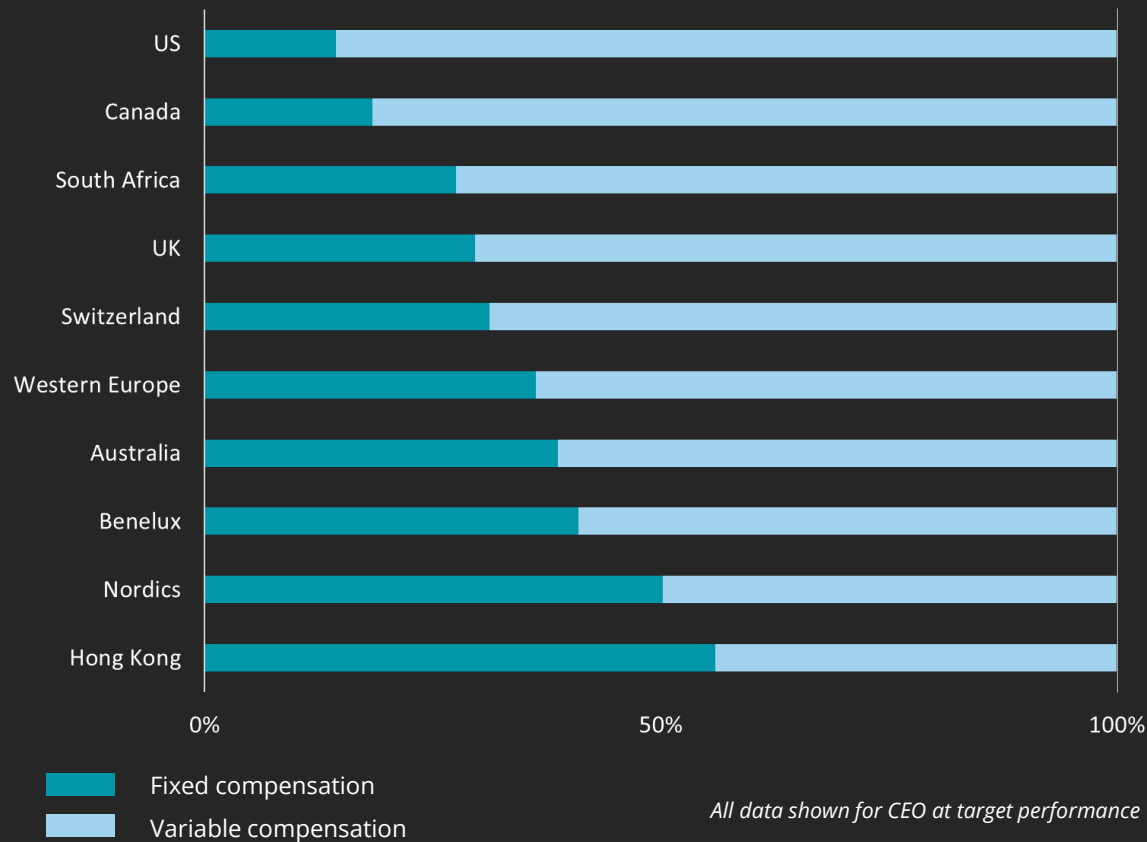
- *All data has been drawn from public disclosures of approx. 300 listed companies within a market capitalisation range of \$6bn-\$12bn*
- *Certain countries aggregated for simplicity:*
 - *Benelux comprises Belgium and the Netherlands*
 - *Nordics comprises Denmark, Finland, Norway, and Sweden*
 - *Western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

01

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

Fixed vs. Variable Compensation

Variable compensation makes up a much larger percentage of the overall package in North America, particularly in the US, compared to other regions. This reflects the region's significantly higher LTI opportunity. At the other end of the spectrum, Hong Kong, Belgium, and Nordic countries favor fixed compensation elements.



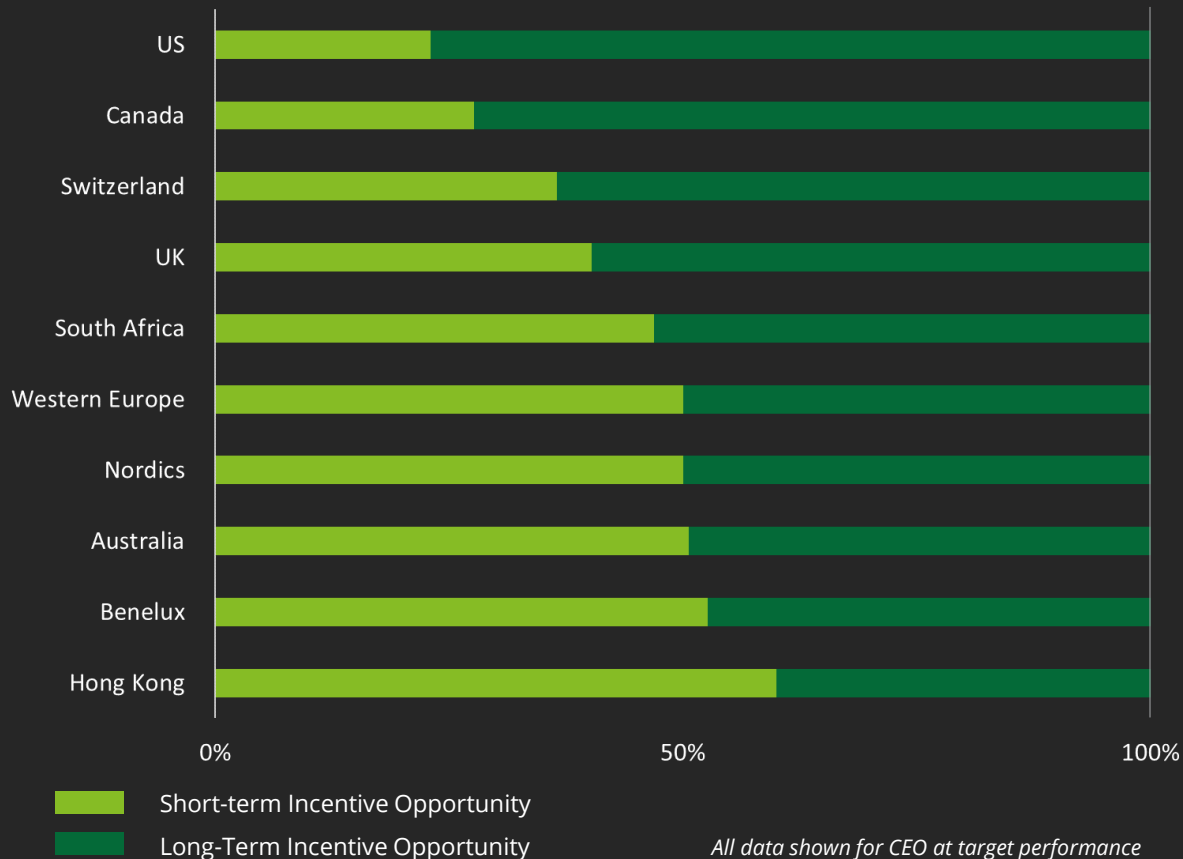
The chart displays how increases in total compensation are predominantly driven by an increases in variable, rather than fixed, elements. A clear pattern is apparent moving from North America at one end of the spectrum, through Western Europe, Australia, and South Africa, to Benelux and the Nordics at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

02

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

Short-Term vs. Long-Term Incentive Opportunity

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



Long-Term Incentive plan practice

Performance-based share awards are the predominant LTI vehicle around the globe. Restricted shares and options are also common in some markets. Using more than one LTI vehicle is less common globally, though accepted in some markets, notably North America.

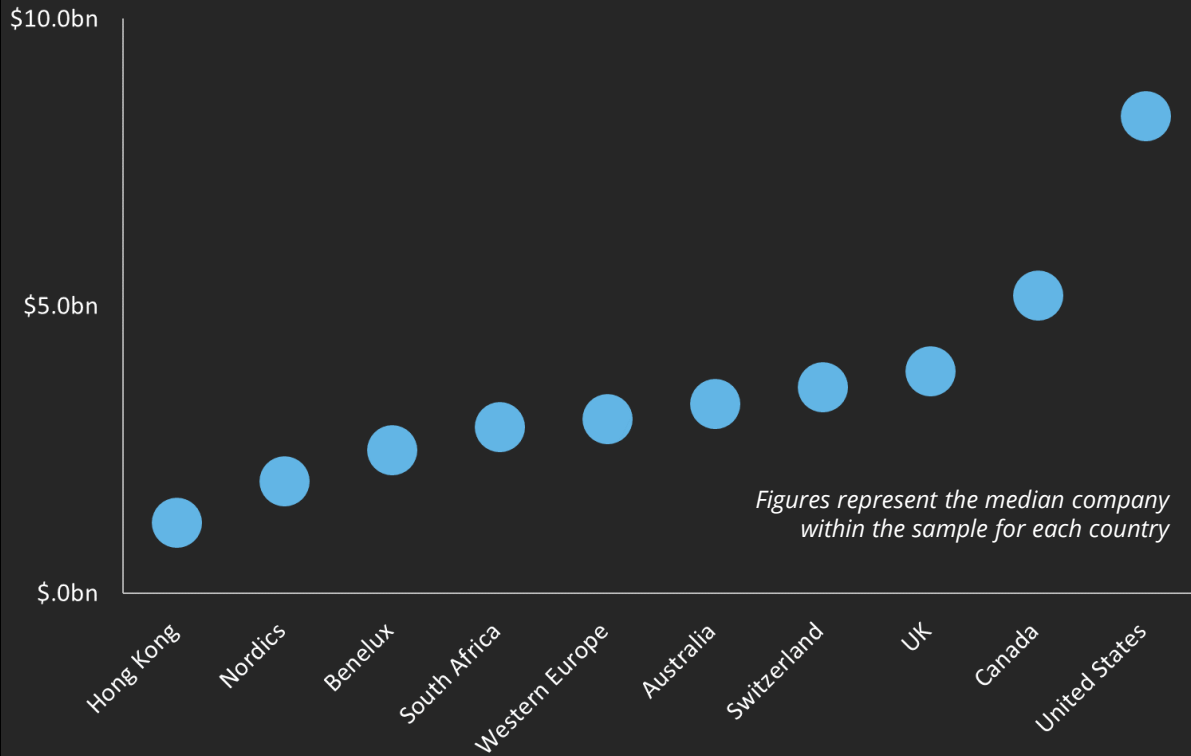
	PSU	RSU	Options	Cash	Matching	2+ Vehicles
Australia	76-100%	0-25%	0-25%	--	-	0-25%
Benelux	76-100%	0-25%	26-50%	0-25%	-	26-50%
Canada	76-100%	76-100%	76-100%	-	-	76-100%
Hong Kong	0-25%	0-25%	0-25%	-	-	-
Nordics	26-50%	0-25%	0-25%	0-25%	-	-
South Africa	76-100%	26-50%	0-25%	-	-	26-50%
Switzerland	76-100%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

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

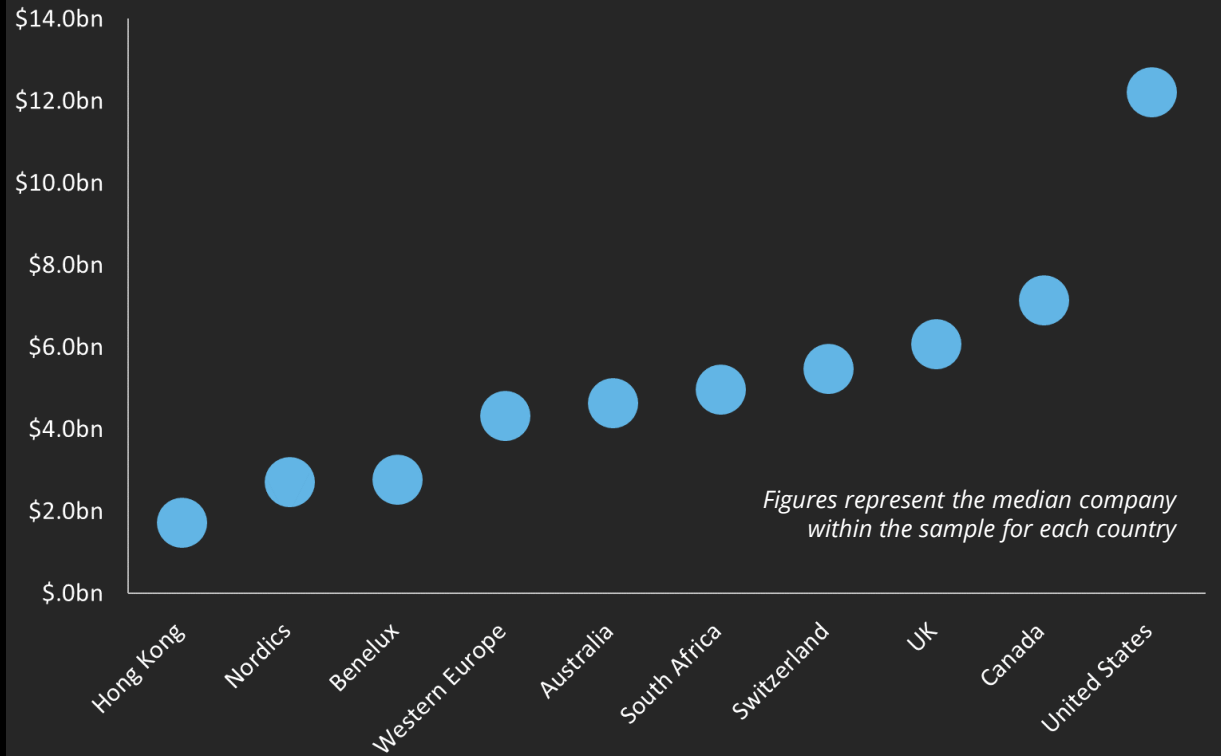
03

Total compensation varies widely by geography. The US remains an outlier, with higher compensation than other countries.

CEO Compensation Opportunity at Target Performance



CEO Compensation Opportunity at Maximum Performance



Observations

- The US is an outlier in overall levels of compensation, particularly at higher levels of performance (due to the additional awards from higher variable LTI weighting).
- Differentiation across most other markets is relatively limited. Eight countries have target total compensation between \$2.5m and \$3.5m.

04

Most companies must navigate numerous laws, regulations, and stakeholder expectations regarding executive compensation. The size and structure of compensation plans vary considerably, largely reflecting local market norms.

Pay governance and stakeholder expectations

Governance requirements and the expectations of institutional investors and proxy voting agencies vary widely by geography. Accordingly, peer companies competing in the same industry can have significantly different senior executive pay arrangements.

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

- Expected and/or majority market practice
- Mixed / minority market practice
- Unusual practice / not required

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

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

Shareholder oversight

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

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

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

² Executive Compensation policy must be resubmitted for binding shareholder approval if implementation vote lost.



Strategic and stakeholder alignment

- Volatility across many markets and sectors increased in recent years.
- Uncertain market conditions have increased the importance of aligning executive compensation frameworks with achievement of key strategic goals and objectives.
- As priorities evolve, companies are continually evaluating the effectiveness of their compensation framework and its ability to attract, retain, and motivate required talent.



Pay transparency

- Pay transparency laws have been passed in 10 US states. In Europe, the EU Pay Transparency Directive will take effect in 2026.
- These initiatives and others reflect broader public interest in fairness and equality.
- Transparency laws are likely to have significant practical impacts, especially for organizations with a significant global footprint. We encourage companies to begin considering the implications for their business.



Global competitiveness

- As displayed in this report, executive compensation in the US significantly outpaces other markets.
- Additionally, the US economy continues to perform strongly, with the highest actual 2023 growth and forecast 2024 growth among G7 countries.
- Given these trends, non-US companies are increasingly focused on attracting and retaining key globally-mobile talent, especially when competing in the US market or against US peers.



Expanding role of compensation committee

- Boards and compensation committees are increasingly expected to consider their executive compensation decisions within a broader framework than previously used.
- Pay decisions for senior executives are now rarely made 'in a vacuum'.
- Among global companies, the role of the compensation committee is often broadening, with committees having more influence on company-wide policies and frameworks for all employees.



'Hot' roles

- Certain roles and skillsets are currently in strong demand, placing upward pressure on compensation as companies compete for talent.
- Competition for talent in Software, AI, and Technology roles continues to be stiff, and similar trends are also being seen for other specialist roles.
- Additionally, individuals in high-demand roles may have different expectations and experiences regarding compensation than candidates who have traditionally operated in the public environment.



ESG

- ESG is a broad label covering a range of focus areas and responsible business practices, many of which are sector-specific.
- In many markets, the integration of ESG metrics in incentive plans is now a majority practice.
- As stakeholder expectations continue to change, companies are increasingly looking to evolve their own approach, with a focus on selecting robust, quantifiable and measurable metrics that align with value creation.

06

What are the key questions for high-performing HR teams, reward teams, and compensation committees?

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

Is your framework aligned with key strategic goals? Have you identified the optimal balance between financial and non-financial metrics?

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

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

How well do you communicate and disclose your compensation arrangements, internally and externally? Are any 'easy wins' available in this area?

How Deloitte can Help

We leverage our global network and experience to provide services for our clients in all aspects of executive compensation

Reward philosophy and vision

Incentive framework design and implementation

Internal and external communication

Shareholder engagement

Performance metric selection and target setting

Market benchmarking

Market data, context, and insights

Compliance with disclosure and governance requirements

A long-exposure photograph of a desert road at night. The road is illuminated by a warm, golden light, likely from the setting or rising sun, creating a glow on the horizon. The sky is dark and filled with numerous stars, some of which are blurred into streaks, suggesting a long exposure. In the foreground, there are light trails from vehicles, including a prominent red line and a white line, indicating movement. The overall scene is a mix of natural light and artificial light, creating a sense of time and space.

Executive Compensation at Deloitte

A global perspective

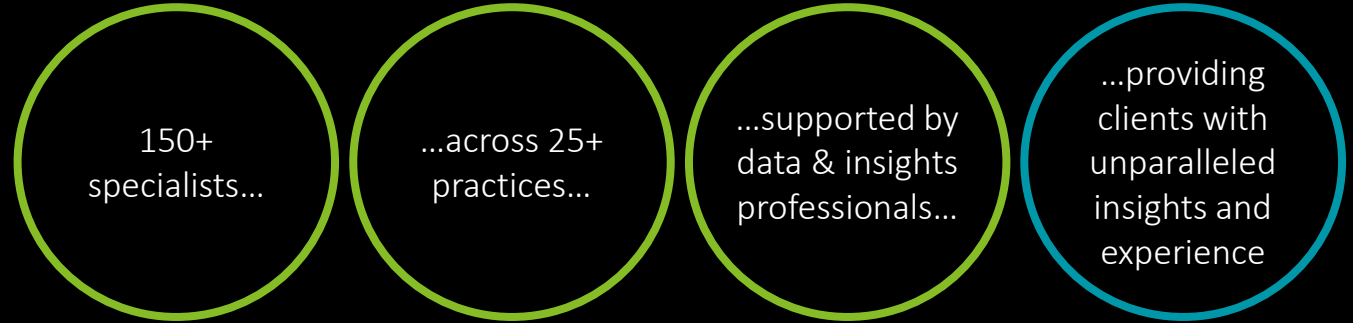
A global perspective

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

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

Deloitte's global scale and experience in executive compensation, coupled with access to broader capabilities across the reward and incentive spectrum, provides clients with this confidence. Deloitte can identify emerging trends as they happen and provide real-time insight on market practice and shareholder views to help clients as they enhance performance and competitive advantage.

Deloitte's Global Executive Compensation capabilities:



Executive compensation is just one part of Deloitte's broader Global Reward, Equity & Incentives presence.



The Deloitte Offering

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

Consciously built around an integrated model, our global network is closely aligned with professionals in adjacent areas, including broader workforce reward, share plan services, tax and accounting specialists, and actuaries. This integration provides clients with a 'one-stop shop' for all reward and share plan needs.

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

This breadth of client coverage also demonstrates that Deloitte understands the latest thinking and challenges which companies face in reward design.



Your global executive compensation partner

Global co-ordination

Europe, Middle East and Africa



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Denmark
Martin Faarborg



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