Navigating rewards

Exploring equity incentives for listed companies on Oslo Børs

December 2024

Foreword

Aligning Incentives: How ESG is shaping executive pay on Oslo Børs

Henrik Gran
Partner, PwC Deals
Valuation & Analytics

> *Our survey indicates that ESG targets are increasingly common in executive pay, with 20% of the largest companies on Oslo Børs incorporating an ESG target in their Long-Term Incentive Plans (LTIPs).*

The relationship between management teams and shareholders is undeniably central to the success of a business. Equity incentives are powerful tools to align the shared goals and mutual interests between these parties.

This report explores equity incentive programs among listed companies on Oslo Børs. We regularly assist our clients in this area. Drawing upon years of experience working with publicly listed and private enterprises, we have accumulated significant insights on equity incentive plans from a valuation-, tax- and accounting perspective. While our commitment to confidentiality precludes us from sharing specific insights, this study, based on publicly accessible information, aims to provide insights into the equity incentives in Norwegian listed companies.

This year's study has a stronger emphasis on Environmental, Social, and Governance (ESG) considerations, reflecting the growing trend of linking executive pay to ESG factors. The societal need for companies to address challenges like social mobility and climate change, suggest that executive compensation should be tied to ESG performance. We've all heard the famous Charlie Munger quote *"Show me the incentive and I'll show you the outcome"*.

We advocate for executive pay to create incentives and accountability for achieving sustainability outcomes, which may not be immediately reflected in shareholder returns. ESG goals for 2030, 2040, and 2050 should be broken down into actionable roadmaps and integrated into long-term incentive plans.

Our survey shows ESG targets are increasingly common in executive pay, with 20% of the largest companies on Oslo Børs incorporating an ESG target in their Long-Term Incentive Plans (LTIPs). The most prevalent measures focus on environmental aspects, such as decarbonisation and energy transition. Among companies with ESG-linked LTIPs, 64% use only one ESG metric, often alongside financial performance metrics. The ESG criteria weight in LTIPs ranges from 8% to 30%, averaging 18%. According to PwC's "Paying for Good for All" study, investors typically expect ESG targets to hold a weight of 10%-20%. Nearly all companies with ESG LTIP metrics meet or exceed this threshold, demonstrating a strong commitment to sustainability goals.

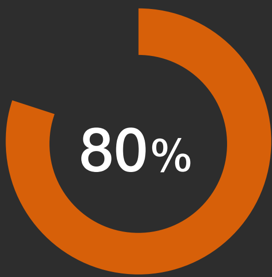
Furthermore, 41% of performance-based programs now incorporate ESG criteria, an increase of 14 percentage points from last year. This shift reflects the growing interest from investors and employees. We anticipate this trend will accelerate, with the Corporate Sustainability Reporting Directive (CSRD) promoting greater consistency and accountability.

Summary and comparison with the Swedish equity incentive study

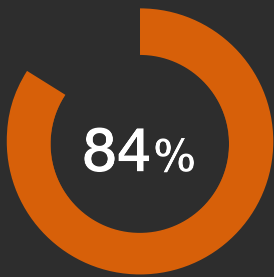
	Norway	Sweden

1 Share of equity based compensation[1]

Norway



Sweden

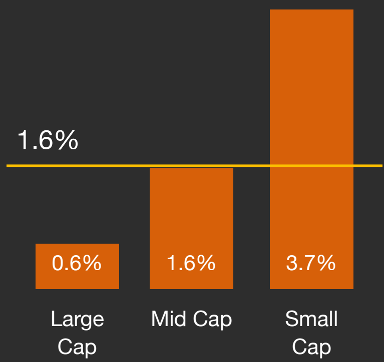


2 Types of equity incentive programs[2]

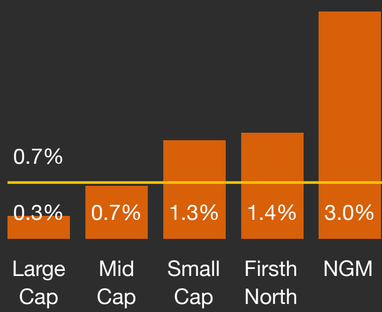
Norway		Sweden	
Options	42%	Warrants (options):	42%
Performance share units (PSUs)	15%	Employee stock options:	15%
Restricted stock units (RSUs)	13%	Call options:	3%
Matching shares	10%	Performance share units (PSUs):	15%
Share purchase with restrictions	17%	Share saving programmes:	21%
Other plans	3%	Other plans:	4%

3 Portion of shares related to incentive program

Norway



Sweden



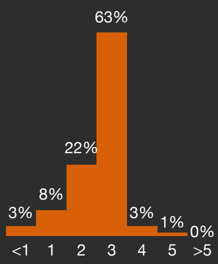
[1] For this analysis, Sweden only includes Large Cap companies
[2] Sweden displays new programs in 2023, whereas this report displays the overall distribution of programs in Norway in 2023.

	Norway	Sweden

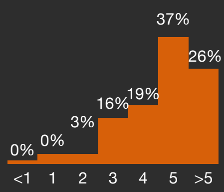
4 Duration

Norway

Vesting

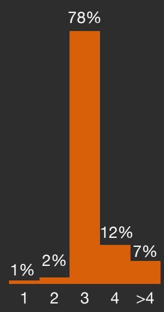


Exercise period (options)



Sweden

Total programs



5 Number of program participants

Norway		Sweden	
1-10	**52%**	1-10	**27%**
11-50	**13%**	11-30	**27%**
50+	**35%**	30+	**46%**

6 Large Cap - ESG metrics

Norway		Sweden	
Share with ESG targets in LTIP	20%	Share with ESG targets in LTIP	30%
Average number of ESG metrics	1.82	Average number of ESG metrics	1.47

7 Board and executive remuneration

(Norway only included in this study)

Management remuneration	
Fixed compensation	**69%**
Variable compensation	**31%**

Board of Directors	
Median comp. Chair	**NOK 600K**
Median comp. Member	**NOK 370K**
Median comp. Female	**NOK 330K**
Median comp. Male	**NOK 400K**
Median # of members	**6**
Median share of women	**42%**

Please refer to the study conducted by PwC Sweden for further details.

Valuation, tax and accounting perspectives on equity incentives

Valuation perspectives: DLOMs should be regularly reassessed to avoid exposure

In line with last year's study, this year's results show a median value adjustment of 22% for a three-year lock-in period. While this represents a slight reduction from last year (median 25%), most observations apply the same discount as before. This is unexpected, given the rise in interest rates, which—based on typical models for estimating the adjustment for lack of marketability—should result in a lower discount, all other things equal. These findings suggest that some companies may not reassess their discounts annually.

We propose to reassess the value adjustment whenever key management or employees are invited to participate in MIPs. Even if the program terms remain unchanged, changes in market conditions should be reflected in the value adjustment to avoid potential tax exposures.

Carmen Larissa Cornejo
Director, PwC Deals – Valuation & Analytics

Tax perspectives: Expecting a trend of increased use of synthetic shares

Our study shows that share option-like programs are preferred amongst listed entities, representing 71% of the programs. This is interesting, as options are not very tax efficient in Norway. Payouts are subject to salary taxation for the employees and implies payroll obligations and social security costs for the employer. Option-like programs also dominate the listed environment in Sweden (60%). However, in Sweden this can be explained by favourable tax rules.

The Norwegian tax directorate has recently clarified the tax treatment of synthetic instruments. On this basis, looking into the future, we may see a trend of increased use of incentives based on synthetic shares. This is a derivative instrument that mirrors the financial outcome of the underlying shares, but the payout is in the form of cash and not shares.

Tax considerations are essential when setting up an incentive program, and should be a key consideration when modelling the financial outcome and the incentivising impact of a program.

Pernilla Viotti Johansen
Director, Advokatfirmaet PwC

Accounting perspectives: Be aware of unexpected income statement effects

The accounting for share based payment programs may result in unexpected effects on the income statement. It is therefore prudent to perform due diligence with accounting experts before the details of the program is finalised.

Examples of surprising accounting effects comes from situations with staged programs where each stage need to be expensed in parallel leading to a front-loaded expense, and liabilities being recognised even though the remuneration normally is settled in shares.

There are also knock-on effects on the tax accounting for deferred taxes related to items that are temporarily booked against equity, which is unusual.

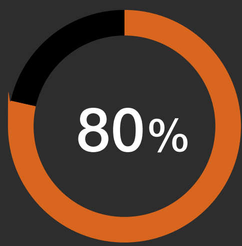
For a group it is also various accounting effects based on whether the entity issuing the compensation and the entity that receives the services have an agreement to settle with each other. This would need to be deliberately considered when setting up the program.

Bjørn Einar Strandberg
Partner, Corporate reporting services

80% of companies listed on Oslo Børs use equity-based compensation

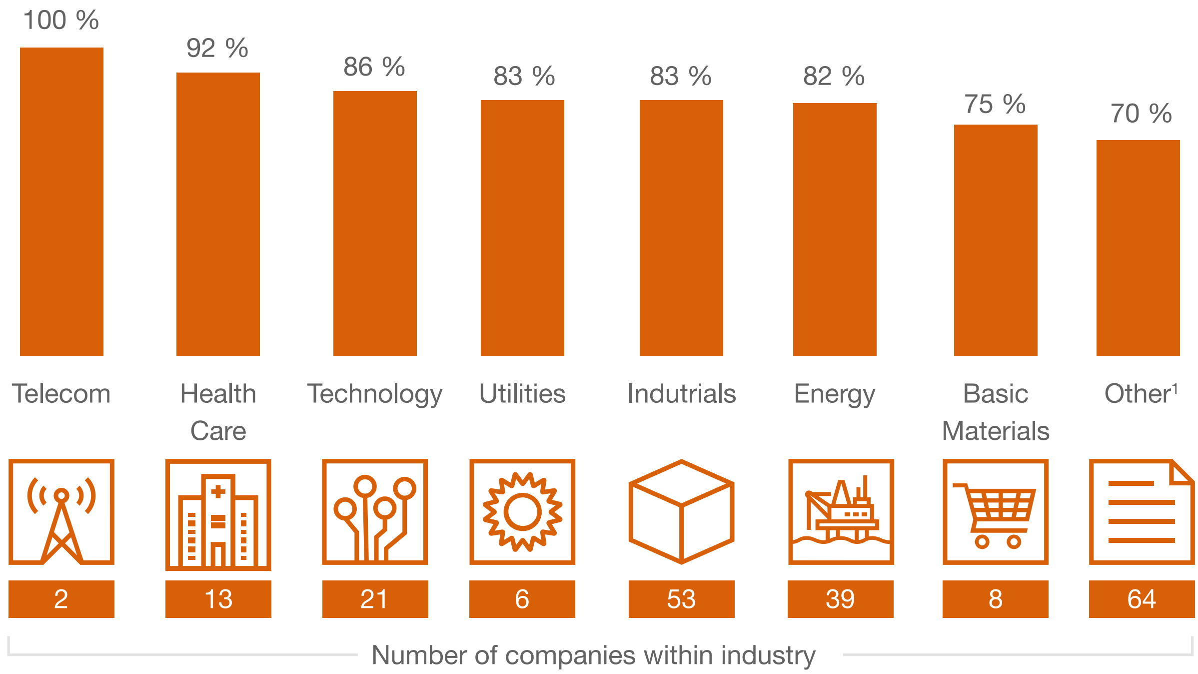
Equity incentives are increasing in popularity
The use of equity incentives among listed companies has become increasingly prominent. Approximately a decade ago, in our study of equity incentives among publicly listed companies on Oslo Børs, 60% had equity based incentive programs. In our latest study, this figure has increased to 80%. Our analysis reveals the use of a diverse spectrum of equity incentive programs, including traditional options to performance-based awards and share purchases with restrictions.

This report aims to provide insights into the practices of 206 publicly listed companies on Oslo Børs. The information used by PwC in preparing this report has been obtained from publicly available sources, predominantly the annual reports of 2023. Additionally, we have gathered information from the accompanying remuneration reports as well as minutes from the General Assembly. Our conclusions are dependent on such information being complete and accurate in all material respect. Even though listed companies are required to disclose remuneration of their management and BoD, we note that the level of detail of these disclosures varies and may impact the survey findings.



of the companies listed on Oslo Børs have either proposed new programs in 2023 or have existing programs from previous years.

Equity incentives among listed companies on Oslo Børs *(% of total)*



1 'Other' includes the sectors consumer discretionary, consumer staples, real estate and financials

Options and option like instruments prevail

Prevailing instruments
The figure below illustrates the most prevalent equity incentive programs offered by publicly listed companies on Oslo Børs.

For a full list of definitions of the different programs, please see page 24.

In total, the 206 publicly listed companies have 297 equity incentive plans. Considering that only 80% of these companies offer such plans, those that do typically have more than one plan on average (1.8 MIPs per company).

The most common types of programs are options, accounting for 42% of the programs within our survey. The options grant employees the right to purchase company shares in the future at a specified price. In Norway, employee options are always taxed as income from employment (salary) at the point of exercise based on the fair market value at exercise. In contrast, Swedish tax legislation opens for the possibility to structure warrants/options as capital investments under certain conditions.

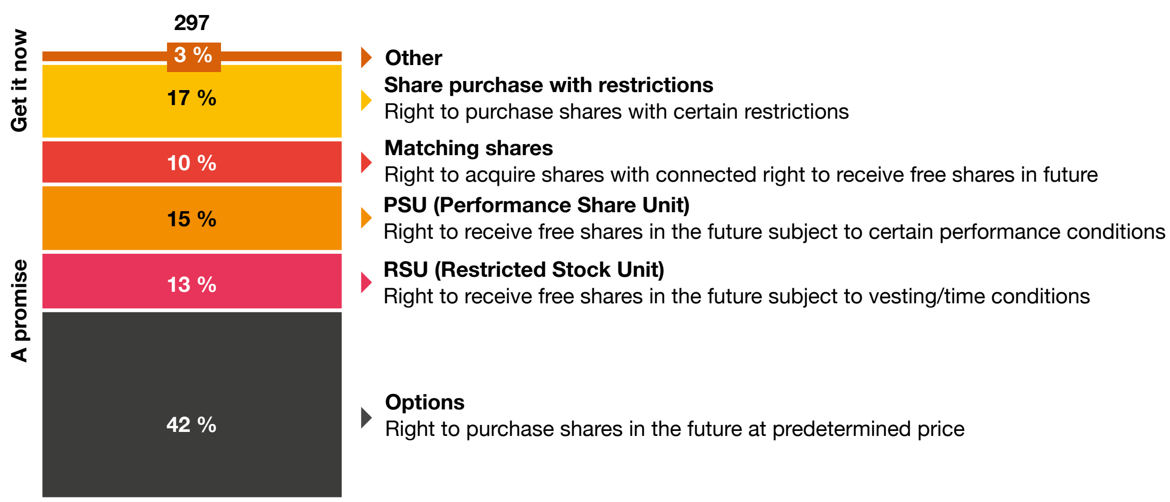
Other common program types include PSUs (15%) and RSUs (13%). Both PSUs and RSUs grant employees shares at a future date subject to time based conditions (RSUs) and performance conditions (PSUs), normally for free. The taxation in Norway is similar as for ordinary options, i.e. salary taxation at the time the shares are received based on the fair market value at this point in time.

Share purchase with restrictions represent 17% of the incentive programs. The Norwegian tax authorities' recognise that restrictions to the shares may be taken into account as value-reducing elements that needs to be accounted for in the valuation of the shares. These factors often include lock-in periods and restrictions on share resale, determining how shares can be sold and at what price. Any further discounts that do not mirror a value reducing restriction is taxed as employment income.

Matching shares represent 10% of the instruments and imply a right for the employee to acquire shares at market value and then receive a specified number of shares for free at a later stage. The value of the shares that are received for free, are taxed as employment income at the time when these are received. These shares may be subject to further restrictions when received.

The remaining programs (3%) mainly consist of synthetic options or synthetic shares.

Types of programs



Options are considerably more common among Small- and Mid Cap companies

Distribution of programs by company size
Company size appears to be a key factor influencing the choice of programs. Thus, we have categorised the companies into Large Cap (>= NOK 10'000 m), Mid Cap (between NOK 1'500 m and NOK 10'000 m), and Small Cap (< NOK 1'500 m) based on their market capitalisation as of 31 December 2023.

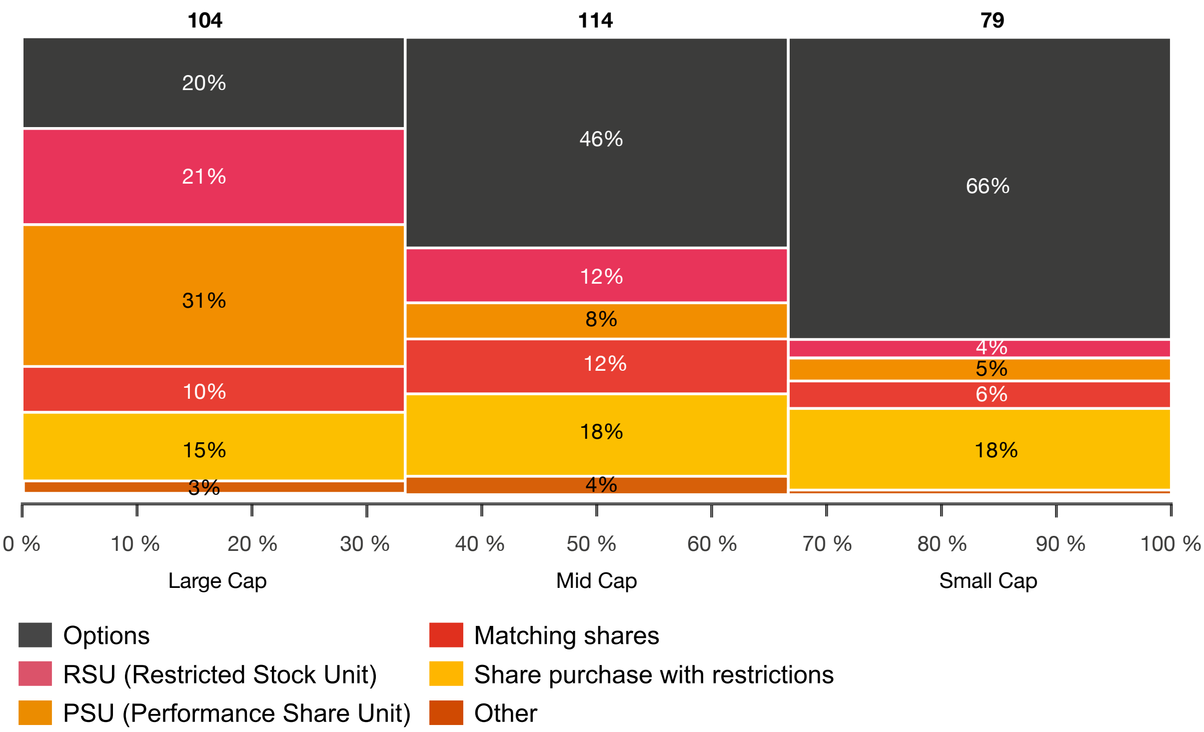
The allocation between the categories were 104 programs within 54 Large Cap companies, 114 programs in 81 Mid Cap companies and 79 programs in 71 Small Cap companies. This translates to 1.9 programs per Large Cap and 1.1 programs per Small Cap, indicating that larger companies offer more incentive programs.

The most notable distinction between different companies by size is that option programs are considerably more common among Small- and Mid Cap companies, as opposed to Performance and Restricted Share Units, which are more frequently found in Mid Cap and Large Cap companies.

Small- and Mid Cap companies usually have less liquidity and limited access to capital compared to Large Cap companies. Thus, these companies may offer options as an equity incentive due to limitations in their ability to provide competitive salaries and bonuses. Additionally, PSUs can be more resource-intensive than options, as they often involve performance metrics that may require more administrative resources.

Additionally, Large Cap companies with greater resources and better corporate governance may emphasise tying executive remuneration closer to the company's strategy. For this purpose the PSU-programs may be the most appropriate incentive structure.

Types of programs by company size



The majority of programs include C-suite executives

Program distribution and participant overview
The charts on this page depict the total participant count and the distribution among participant roles in new programs in 2023 or existing programs from previous years[1].

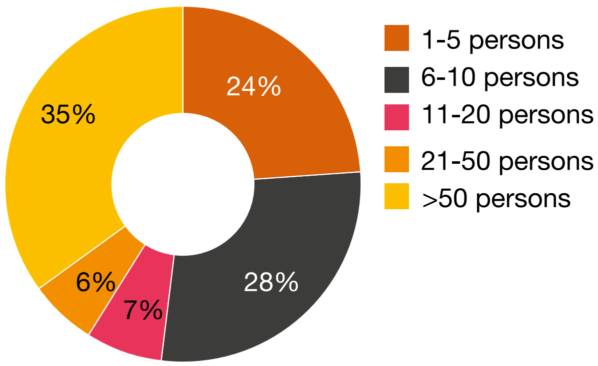
The number of participants in the programs vary significantly. Approximately 51% of the programs included in the analysis are designed for a limited number of participants, ranging from 1 to 10 individuals. Around 13% of the programs involve 11 to 50 employees, with another 35% designed for groups exceeding 50 individuals, primarily all-encompassing employee programs.

The chart below shows that CEOs are part of equity incentive schemes in 97% of companies, CFOs in 96%, and other C-suite executives in 91%. The 'Other' category, which includes key personnel, general managers, and unspecified participant groups, stands at 48%. This highlights a primary focus on senior executives within these programs.

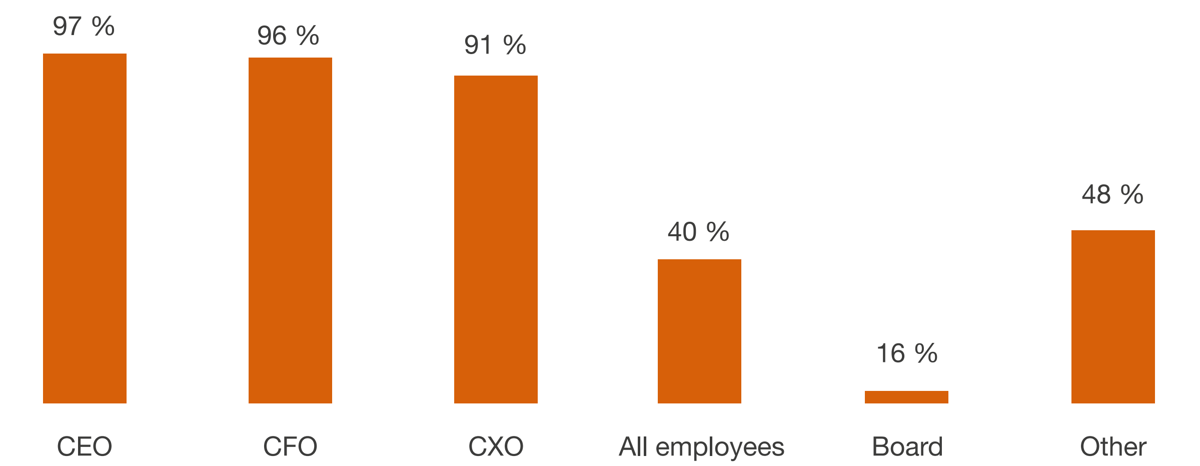
According to NCGB, Norwegian Corporate Governance Board, the board remuneration should not be performance-based, nor should stock options be issued. However, 16% of companies with MIP include one or more board members.

The participation rate for all employees is 40%.

Total participant count[1 2]



Program distribution by role[3]



[1] Please note that in 38% of the programs the total number of participants is undisclosed.
[2] Please note that the participant count diagram is based on the total number of outstanding programs with the total number of participants disclosed.
[3] Please note that the program distribution by role graph is based on the total number of companies with outstanding programs.

Three years is the most common vesting period in the majority of programs

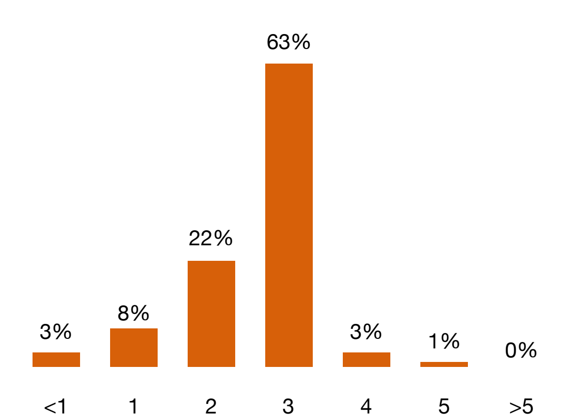
Vesting period
The graph on the right-hand side presents the distribution of vesting period for RSUs, PSUs and share purchases with matching shares. A vesting period is the period between the date of grant (or promise) of the shares and the date upon which the vesting conditions have been satisfied.

The most common vesting period is three years (63% of the programs).

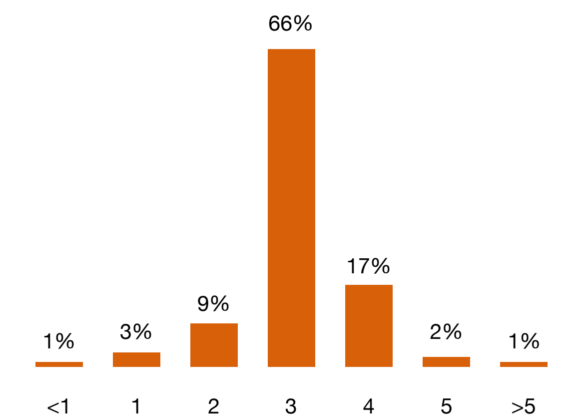
Vesting- and exercise period for options
Options typically come with a vesting period and an expiration date. The vesting period is the period between the date of the grant and the date upon which the vesting conditions have been satisfied. The exercise period is the time between the date of grant and the expiration date. We often see that the option holder can exercise the option in the period after the vesting period up until expiration.

Options typically have a three-year vesting period and a five-year exercise period.

Vesting period in share-based programs



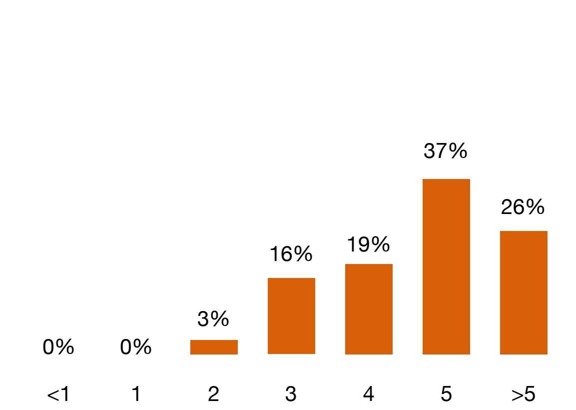
Vesting period in option programs



The most common vesting period is three years (~65% of the programs).

Options typically have a three-year vesting period and a five-year exercise period.

Exercise period for option programs



The median value adjustment is 22% for a three-year restriction period

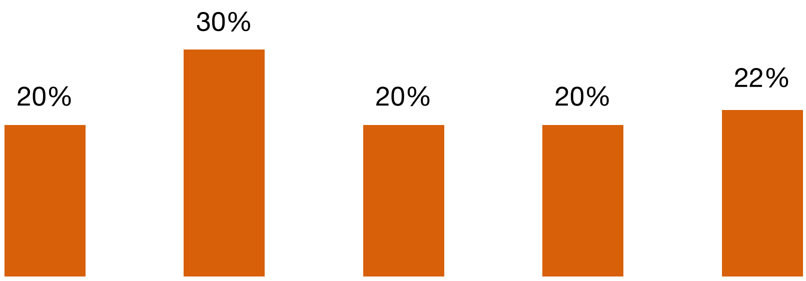
The correlation between the length of restriction and the adjustment of FMV
The chart below illustrates how the fair market value is adjusted due to restrictions connected to the shares. Normally, the longer the restrictions apply, the higher adjustment to FMV is applied. However, this relationship does not appear evident in our results where the majority of programs have an adjustment of 20% irrespective of the restriction period.

The Norwegian tax authorities recognise that restrictions to the shares may be considered value-reducing elements that need to be accounted for in the valuation of the shares. These factors often include lock-in periods and restrictions on share resale, determining how shares can be sold and at what price. Any further adjustments that do not mirror a value-reducing restriction are seen as a discount that is taxable as employment income.

Please note that an individual assessment and documentation of the value adjustment must be done in each separate case based on the specific terms and nature of restrictions.

We emphasise that there are large differences in the reporting details among the companies in the study. As such, we can not conclude that the whole adjustment is related to restrictions. We have, for example, seen that some programs apply an additional discount to the value adjustment, that is treated as employee benefit (and taxed accordingly). For example, a company may apply a 50% discount on the shares, however, as the shares have restrictions a portion of the discount should be viewed as a non-taxable adjustment to the FMV. For the taxable portion of the discount, we have seen that as part of the schemes the employees receive a cash bonus equal to hers/his income tax payable triggered by the program.

Median value adjustment by vesting period



Vesting period (years)	n.a.	0	1	2	3
Median adjustment	20%	30%	20%	20%	22%
Number of observations	9	1	9	13	22
Max	100%	30%	33%	30%	30%
Min	15%	30%	15%	20%	14%

Small Cap companies allocate a larger portion of shares to incentive programs compared to larger companies

Portion of total shares related to incentive programs

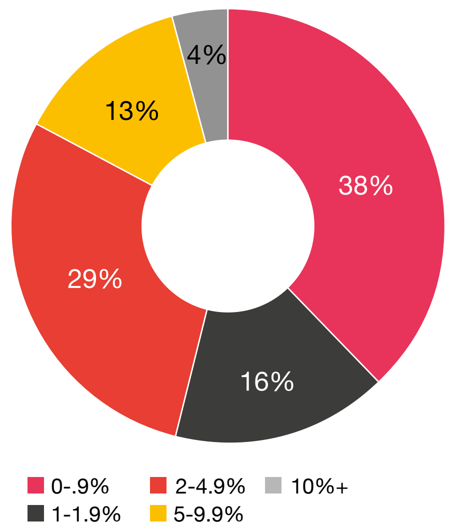
As the vast majority of the incentive programs offered by companies listed on Oslo Børs involve shares or options, a defined portion of the companies' outstanding shares are kept from the general public for this purpose.

The analysis to the right presents the maximum potential shares employees may obtain through outstanding incentive programs. Note that the calculation of the participants' share portion is independent of whether the shares have been repurchased or delivered in any other way by the company.

We observe that 38% of the companies allocate less than 1% of the company's total shares. Also, we see that 4% of the companies allocate more than 10% of the companies' shares.

Note that the analysis is based on information on 151 companies, and number of shares outstanding as of 31.12.2023.

Number of shares allocated to the incentive program as a percentage of total outstanding shares

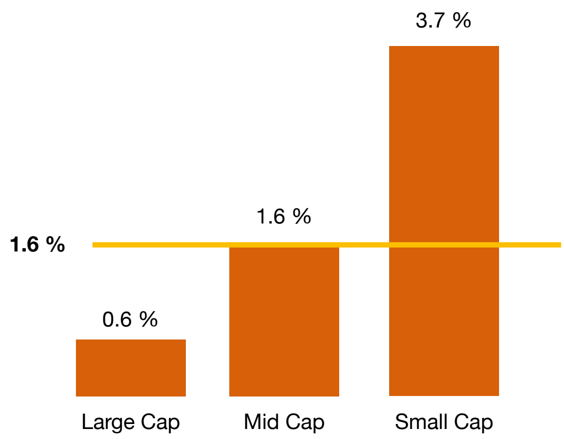


Program size (measured as the portion of total outstanding shares) by company size

The diagram to the right presents median values for the maximum potential shares employees may obtain through outstanding incentive programs, by company size. The overall median value amounts to 1.6%.

We observe that the median value of Small Cap companies of 3.7% is higher than the median of both Mid Cap and Large Cap companies. Companies offering higher share proportions often have a large share of option programs. Further, Small Cap companies show a higher presence of technology and health care firms, which on average have larger programs than other industries.

Number of shares allocated to the incentive programs as a percentage of total outstanding shares, by company size



The strike price is most commonly set equal to the share price at grant

Relationship between strike price and stock price at grant

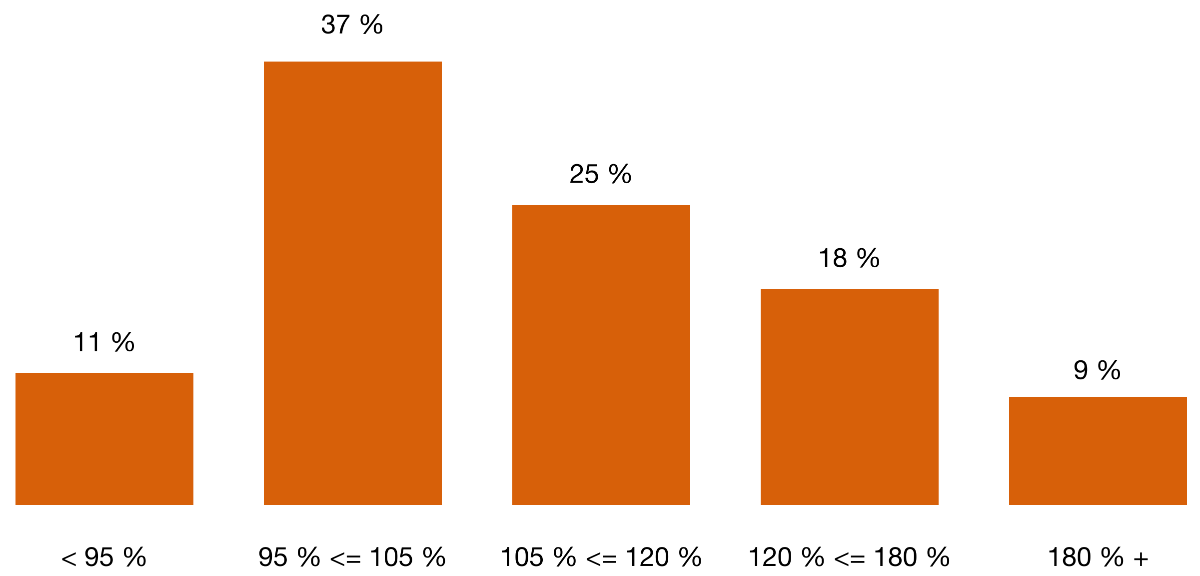
The diagram below illustrates the relationship between the strike price and the stock price at the grant date for options. Typically, strike prices fall within the range of 95% and 105% of the share price at the grant date.

The strike price of an option is the price you have to pay to acquire one share at the time of exercise. The benefit of an option depends upon whether the share's strike price is lower than the fair market value at exercise. In such cases, one could buy shares at a lower price and sell them at a higher fair market value. At the same time, if the company performs poorly and the share price never increases above the strike price, the option can expire as worthless.

Options are often granted with the expectation that the option holder will benefit if the share price increases. The strike price is often determined using an average share price over a certain period before the grant. Therefore, we consider strike prices between 95% and 105% as equivalent to the share price at the time of the grant. Option programs most commonly have a strike price that is equal to the share price (95%-105%) at the time of grant in 37% of the programs, and above it in 52% of the programs. Conversely, 11% of option programs have strike prices below 95% of the share price at the grant date, offering an immediate gain. Ultimately, 27% of the programs have strike prices above 120% of the share price at grant, setting more ambitious targets for participants.

Note that the analysis is based on information on 116 companies, with the reported strike price as of 31.12.2023.

Strike price in % of share price



Profitability, return and ESG metrics are most commonly applied in PSUs

Performance-based metrics
The diagrams to the below present the most common performance conditions applied in Performance Share Unit (PSU) plans. PSUs or performance shares are awarded to employees at a future date subject to the achievement of certain performance conditions over a given period (typically, three years based on our findings on page 10). The number of shares awarded is typically linked to key metrics based on individual strategies and the financial metrics that are the most important to the companies. We note that most performance-based programs in our analysis have multiple performance metrics.

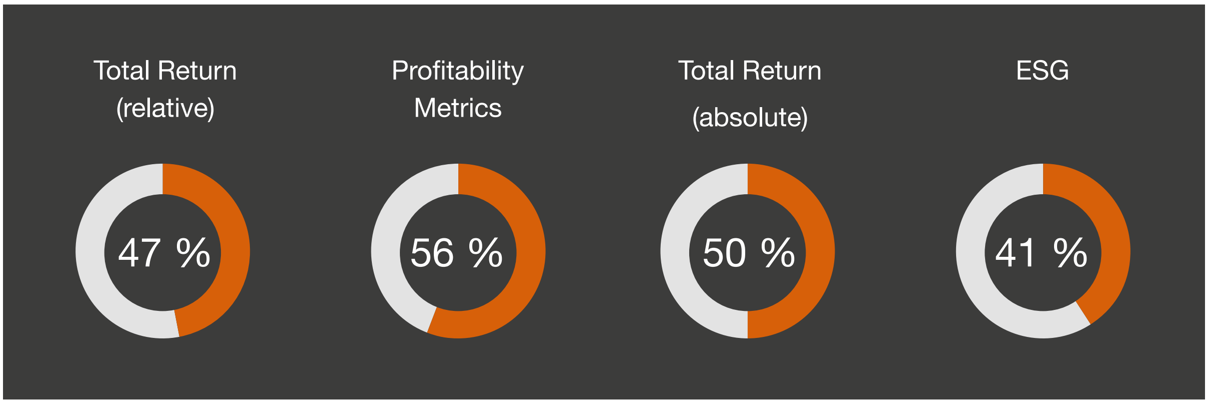
Profitability metrics represent the most commonly used criteria (56%). Profitability metrics include earnings per share, revenue growth, and development in EBITDA, EBITA, EBIT and EBT.

After profitability metrics, we observe that total return metrics are commonly applied. These can be divided in relative total shareholder return and absolute total shareholder return. Relative return is based on the stock's performance in relation to an index or other comparable companies, while total return is a measurement based on the stock price development of the company.

Our results also show that 41% of companies with PSU programs include metrics based on Environmental, Social, and Governance (ESG) factors, marking a 14% increase compared to last year's report, which was just 27%.

The performance criteria for these programs are typically related to carbon emissions and diversity. These findings align with the increased importance of ESG considerations among both investors and employees. In anticipation of the forthcoming Corporate Sustainability Reporting Directive (CSRD) and to drive accountability towards key strategic priorities, we expect an increase in ESG metrics into compensation.

Please refer to the next page for an overview of ESG in LTIPs for Large Cap companies.



Accelerating ESG accountability through incorporating ESG targets into equity incentives

20% of the largest companies on Oslo Børs use executive pay to create incentives and accountability on ESG targets
The figure on the right illustrates the share of the 50 largest companies on Oslo Børs that include ESG targets in their LTIPs. This year's study reveals that 20% of the sampled companies use equity incentives to enhance accountability for climate-related goals.

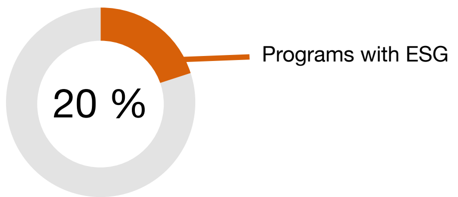
These findings trail behind neighboring countries, with Sweden leading at 30% of large-cap companies integrating ESG targets into equity incentives. The UK outpaces both, where the majority of large-cap firms incorporate such targets, as shown in the accompanying graph. This trend reflects growing momentum in linking executive pay to ESG outcomes, driven largely by institutional investors who view executive compensation as a critical lever for accelerating progress on sustainability objectives.

Sustainability targets in LTIPs are particularly prevalent in carbon-intensive industries. Notably, 27% of companies in both the Energy and Industrial sectors incorporate ESG metrics into their LTIPs. These industries, as major emitters, face significant pressure to address carbon emissions and have been at the forefront of investor engagement on climate action.

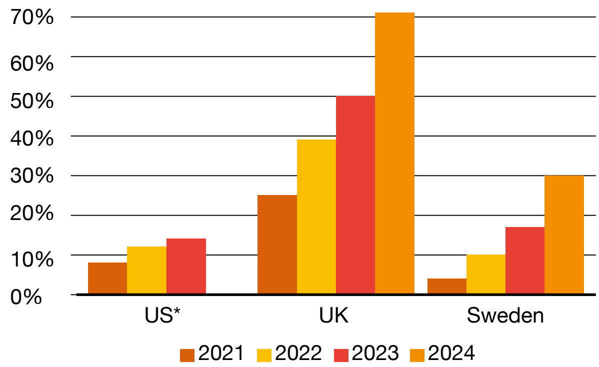
Among companies with ESG-linked LTIPs, 64% apply only one ESG metric in their programs. Most of these metrics target the "E" in ESG, addressing climate change challenges, such as reducing emissions and implementing green operations.

The remaining metrics are connected to the "S" in ESG, with a particular focus on safety measures, such as workplace safety protocols and incident reduction. Notably, none of the observed metrics are linked to the "G".

Share of the largest companies on Oslo Børs with ESG targets in LTIPs

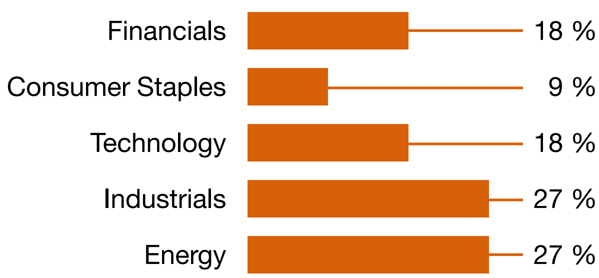


Share of large cap companies with ESG in LTIP, 2021-2024



*No 2024 data is available for the US

Norwegian large cap companies with ESG in LTIP, split by industry 2024



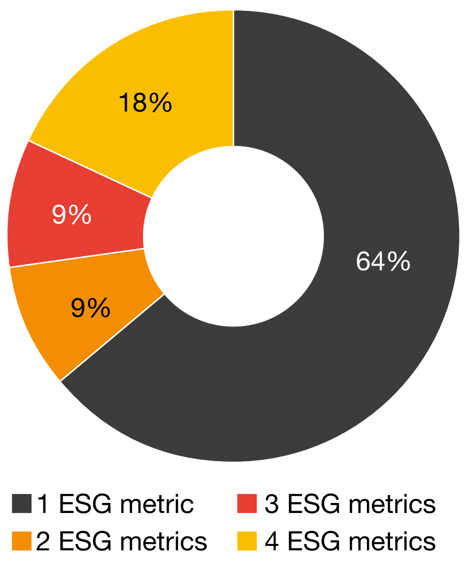
Accelerating ESG accountability through incorporating ESG targets into equity incentives (cont'd)

Even though a lot of the programs only include one ESG metric, it is very common to combine ESG metrics with other metrics connected to financial performance or shareholder value.

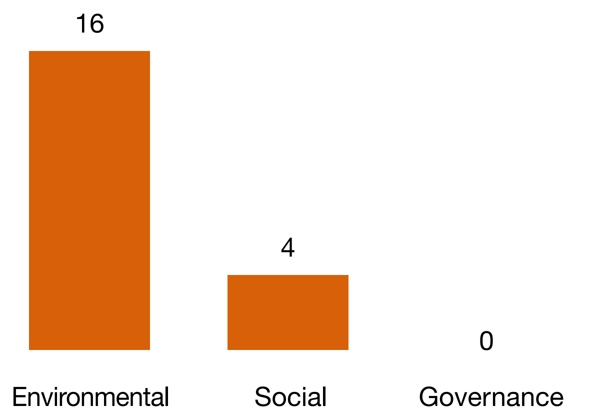
The weight of ESG criteria in LTIPs ranges from 8% to 30%, with an average of 18% and a median of 20%. According to PwC's Paying for Good for All study, investors typically expect ESG targets to hold a weight of 10%-20%. Among companies with ESG LTIP metrics, nearly all meet or exceed this threshold (≥10%), demonstrating significant commitment to sustainability goals.

We believe the trend of incorporating ESG targets into LTIPs will continue to grow, as evidenced by developments in the UK. Until now, a lack of standardization and reporting has posed challenges in implementation. However, the introduction of CSRD reporting is expected to act as both an enabler and a driver of change, fostering greater consistency and adoption across markets.

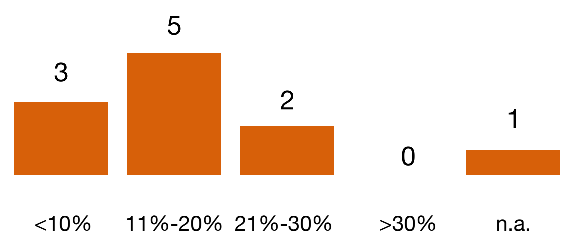
Norwegian large cap companies with ESG in LTIP, split by industry 2024



Number of ESG performance criteria in large cap companies, divided per E,S,G



Distribution of performance criteria weights

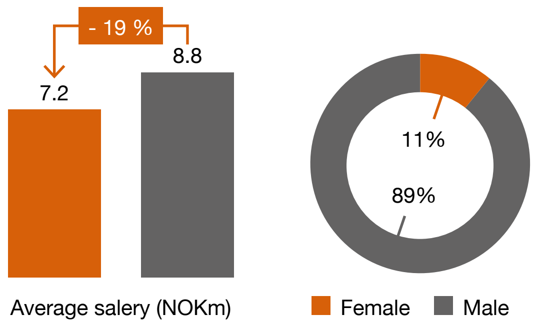


Significant gender gap among CEOs while variable compensation makes up 31% of total remuneration

CEO remuneration and gender balance
This section offers insights into CEO remuneration and gender balance among companies listed on the Oslo Stock Exchange.

In 2023, only 23 out of 206 companies have a female CEO, representing just 11% of all listed companies. The average remuneration for female CEOs is NOK 7.2 million, which is 19% lower than their male counterparts, who earn an average of NOK 8.8 million. This highlights a significant gender imbalance and pay gap between male and female CEOs on the exchange.

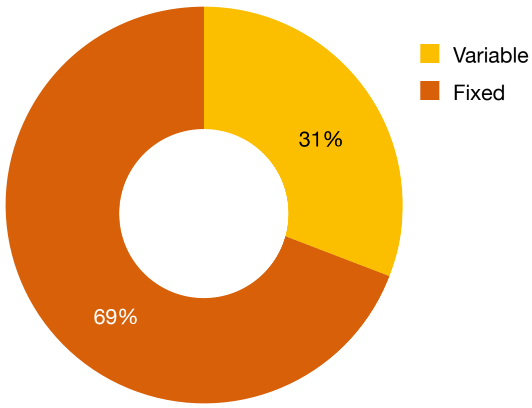
CEO remuneration and gender balance



Fixed compared to variable compensation
This section provides insight into the fixed and variable remuneration for management team members, as reported by the companies. Fixed compensation, comprising 69% of the total remuneration, includes base salary and other guaranteed payments that executives receive regardless of the company's performance. The remaining portion, variable compensation, typically comprises bonuses and other equity incentives.

It is worth noting that some companies exclude equity incentives from their reported variable remuneration, suggesting that the actual proportion of variable compensation may be higher than reported.

Variable vs. fixed portion of total remuneration



The largest relative difference between chair and board member remuneration is found in the Technology sector

	Energy	Utilities	Tech-nology	Industrials	Health Care	Financials	Real Estate	Other[2]	Median
Rem. to chair and board (NOKm)	1.09 1.46	0.37 0.42	0.34 0.57	0.50 0.69	0.38 0.53	0.35 0.53	0.32 0.46	0.43 0.67	0.37 0.60
Max chair rem. (NOKm)	14	0.7	1.3	2.6	0.9	1.2	0.6	1.5	n.a.
Min chair rem. (NOKm)	0.1	0.2	0.3	0.1	0.3	0.2	0.2	0.1	n.a.
Share of woman in board	34%	51%	41%	39%	43%	48%	43%	41%	42%
Rem. to female and male board (NOMm)	0.46 0.78	0.31 0.45	0.31 0.37	0.39 0.51	0.31 0.35	0.28 0.37	0.31 0.33	0.39 0.45	0.33 0.40
Average board members	6	7	6	6	6	6	6	6	6
Number of observations	39	6	21	53	13	35	4	64	206

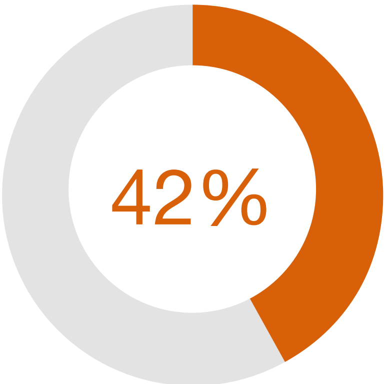
[1]This includes the maximum number of companies considered in the analysis.
[2]'Other' includes the sectors consumer discretionary, consumer staples, telecommunications and basic materials
[3] Employee-elected board members have been excluded from this table and analysis

Board remuneration

The preceding table presents an overview of the average remuneration for chairpersons and board members of listed companies on Oslo Børs, categorized by sectors. We have only included board members who have received compensation, as disclosed in the companies' remuneration report.

The median chairpersons receive an annual remuneration of approximately NOK 600k, while board members receive a median of NOK 370k.

We observe the largest difference in the technology sector: the chairperson receives 1.7x the median board member. The energy sector distinguishes itself as the sector with the highest median remuneration for both chairpersons and board members of NOK 1.5m and NOK 1.1m, respectively.



represents the median share of women in boards of companies listed on Oslo Børs

Board composition and gender equality

The table on the preceding page presents data on board composition, including the number of board members and the average remuneration among female and male board members. Across all sectors, the data indicate that the average representation of women on boards is below 50%. The overall female board representation stands at 42%, in line with the minimum requirement of 40% set by the Norwegian Public Limited Liability Companies Act[1].

Female board members earn a median annual remuneration of NOK 330k, which is about 17.5% less than their male counterparts. The gender pay gap is most evident in the Energy, Utilities, and Industrials sectors, where male board members earn 1.7x, 1.5x, and 1.3x more than females, respectively.

Within the energy and industrials sectors, it is observed that the percentage of women on boards is below the 40% minimum requirement. An explanation for this may be that certain of these companies are registered in foreign countries, and thus do not need to comply with the Norwegian requirement for gender representation. Additionally, the exclusion of board members not receiving remuneration may impact the data analysis.

[1]Source: Allmennaksjeloven, lovdata.no

Do you have any questions? Do not hesitate to reach out

Should any of the viewpoints presented in this report raise any questions, please do not hesitate to contact us for further discussions.

Contacts

Henrik Gran
Partner, Valuation
+47 952 60 046
henrik.gran@pwc.com

Carmen Larissa Cornejo
Responsible for the study
Director, Valuation
+47 454 53 223
carmen.cornejo@pwc.com

Pernilla Viotti Johansen
Director, Tax
+47 952 60 761
pernilla.viotti@pwc.com

The key to designing an effective incentive scheme lies in the collaboration of a wide variety of subject matter experts

How we can help:

Tax | **Valuation** | **Legal** | **Accounting**

Design and feasibility

- Evaluation of different incentive plans
- Provide an overview of incentive plan trends and best practice in the market
- Analyse and evaluate different incentive arrangement in relation to your needs
- Prepare a high-level analysis of the different types of incentive arrangements, including valuation and calculation of costs, tax and outcomes at different scenarios

Development of tailored solution

- Prepare detailed analysis of selected arrangements, including calculations of costs, tax, outcomes at different scenarios, dilution effects
- Development of strawman and support with stakeholder management
- Detailed analysis of tax and legal considerations
- Prepare material for potential board meetings

Implementation and approval process

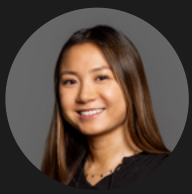
- Prepare legal documents and agreements
- Prepare tax information sheet to employees and employers Company in relevant geographies, through using our global network of regional specialists
- Assist with example providers of administrative services
- Provide necessary information regarding the LTIP to the legal advisor's AGM Notice
- Perform final valuation of the selected LTIP arrangement(s).

Ongoing operations

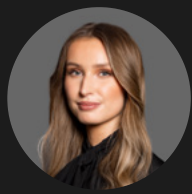
- Support with changes due to change of management or other corporate events
- Enhancements/adjustments feeding back into redesign
- Tax reporting and attachment to the tax returns

Thank you to the team contributing to this report

Lars Kvinen
Senior Associate
Valuation

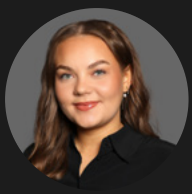


Yilin Huang
Associate
Valuation



Margrethe M. Eide
Associate
Valuation

Gina Sørbye Larsen
Associate
TLS

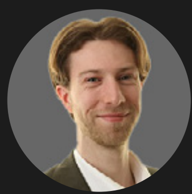


Sofie F. Jacobsen
Associate
Valuation

Ida Ingstad
Associate
Valuation

Helga Løne Mølster
Associate
Valuation

Santhos Thamotharampillai
Associate
Valuation



Oscar V. Lund
Associate
TLS

Marius Istvan Harlem-Nilsen
Designer
Marketing and Communications

Definitions

Term	Definition
ESG	Environmental, Social, and Governance
EBIT	Earnings before interest and tax
EBITA	Earnings before interest, tax and amortization
EBITDA	Earnings before interest, tax, depreciation and amortization
EBT	Earnings before tax
Large Cap	Companies with Market Capitalization >= NOK 10bn as of 31.12.2022
LTIP	Long-term incentive plan
Mid Cap	Companies with Market Capitalization >= NOK 1.5bn and < NOK 10bn as of 31.12.2022
Options	Right to purchase shares in the future at a predetermined price
PSU	Performance Share Unit: Right to receive free shares in the future subject to certain performance conditions
RSU	Restricted Stock Unit: Right to receive free shares in the future subject to vesting conditions
Small Cap	Companies with Market Capitalization < NOK 1.5bn as of 31.12.2022
”Share purchase with restrictions”	Right to purchase shares with certain value reducing restrictions
”Matching shares”	Right to receive a specified number of shares in the future for each individually purchased share in the company

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