



**BUSINESS
SCHOOL**

EXECUTIVE REMUNERATION IN 2016



EXECUTIVE REMUNERATION RESEARCH CENTRE

EXECUTIVE REMUNERATION STUDY 2017

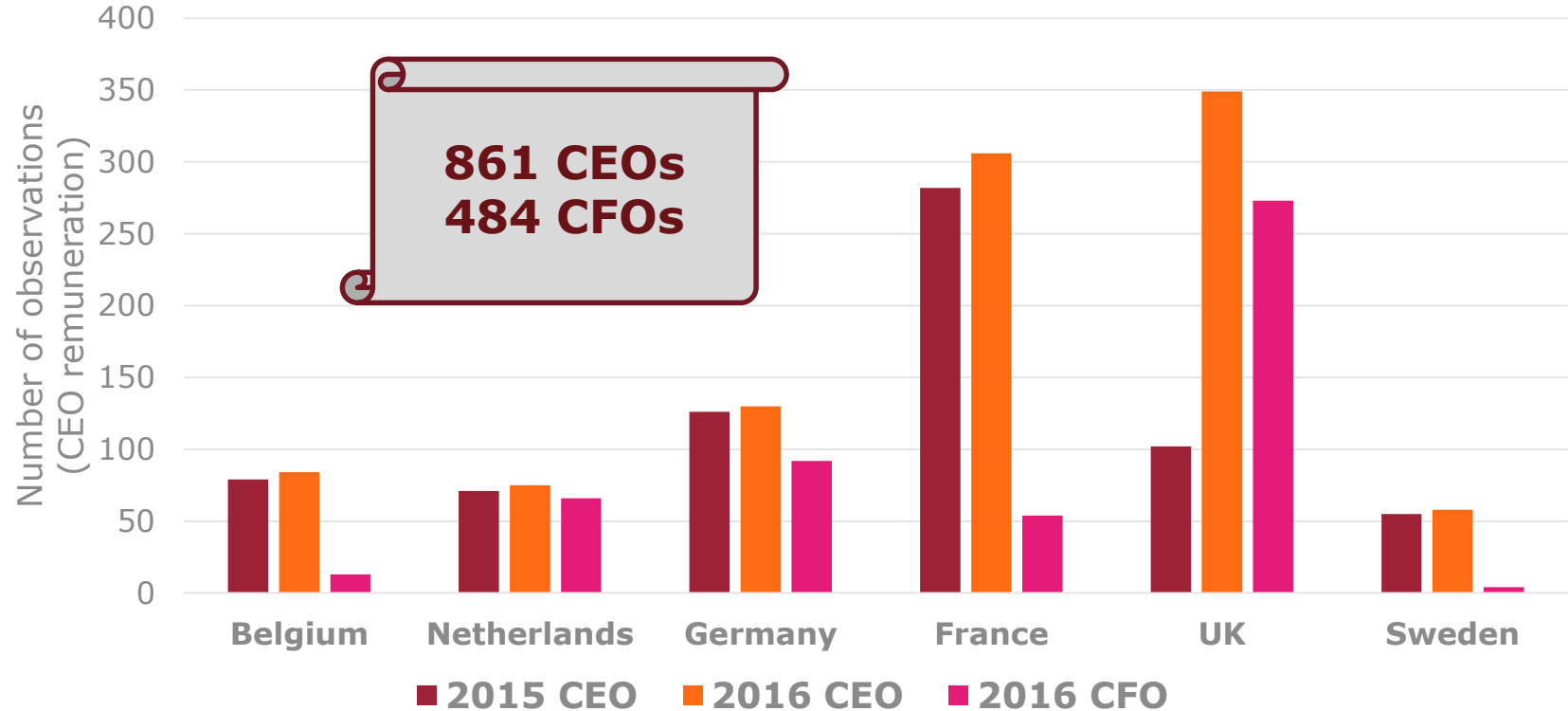
WHAT IS NEW?

- Scope
 - FTSE 250 added
- Industry/sector added
- Share ownership concentration added
- Short-term incentives
 - Target and maximum added
 - Weight per KPI added
- Pay ratio (CEO – average employee)

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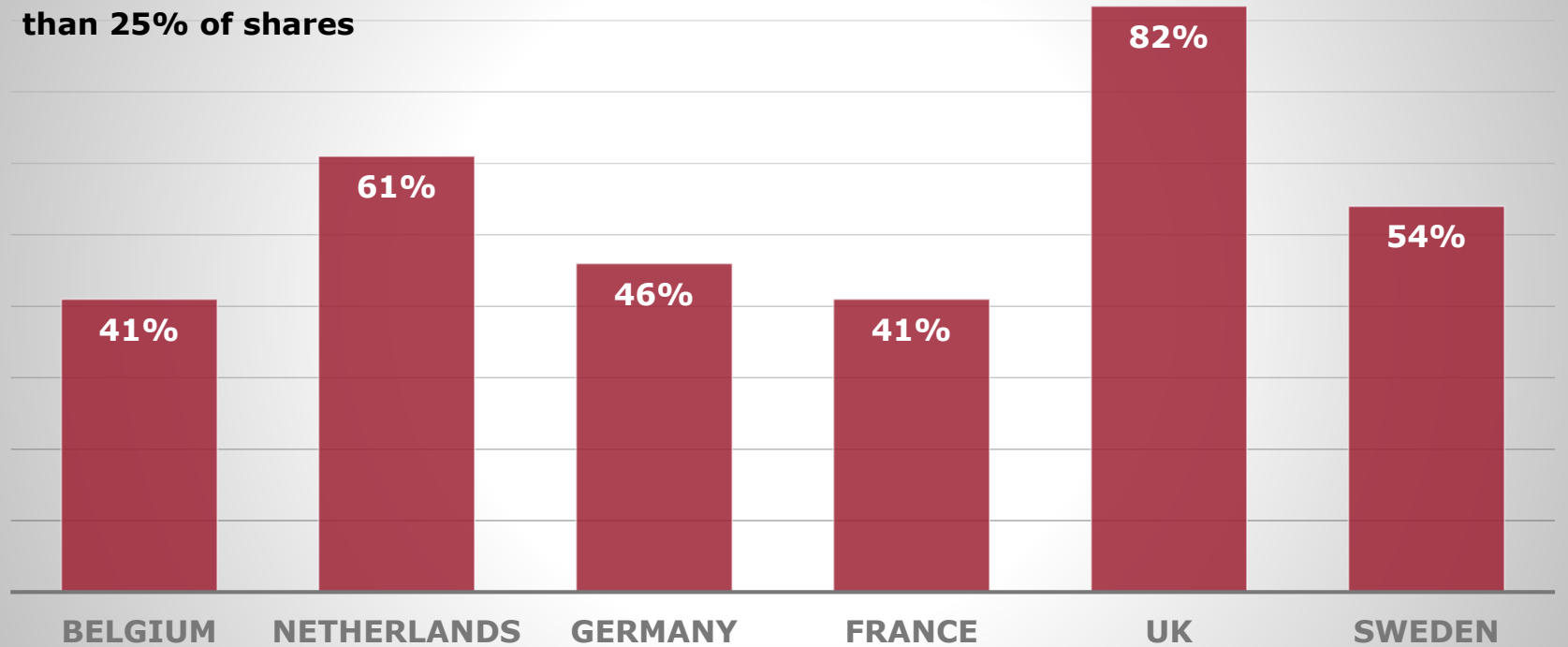
SAMPLE

SAMPLE NUMBER OF OBSERVATIONS



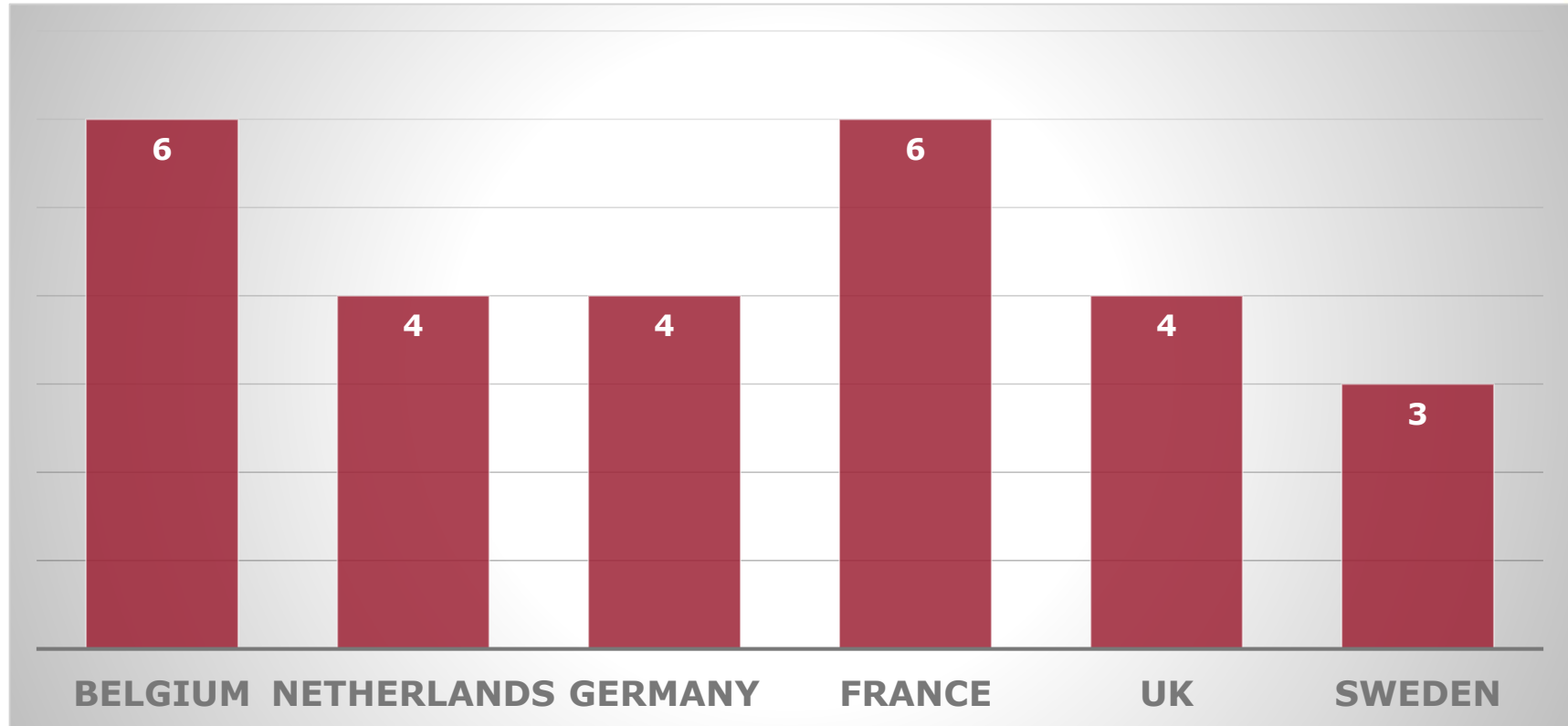
SAMPLE SHARE OWNERSHIP DISPERSION

% of firms in which no shareholder has more than 25% of shares



SAMPLE

HOW LONG ARE CEOS IN THEIR CURRENT ROLE?



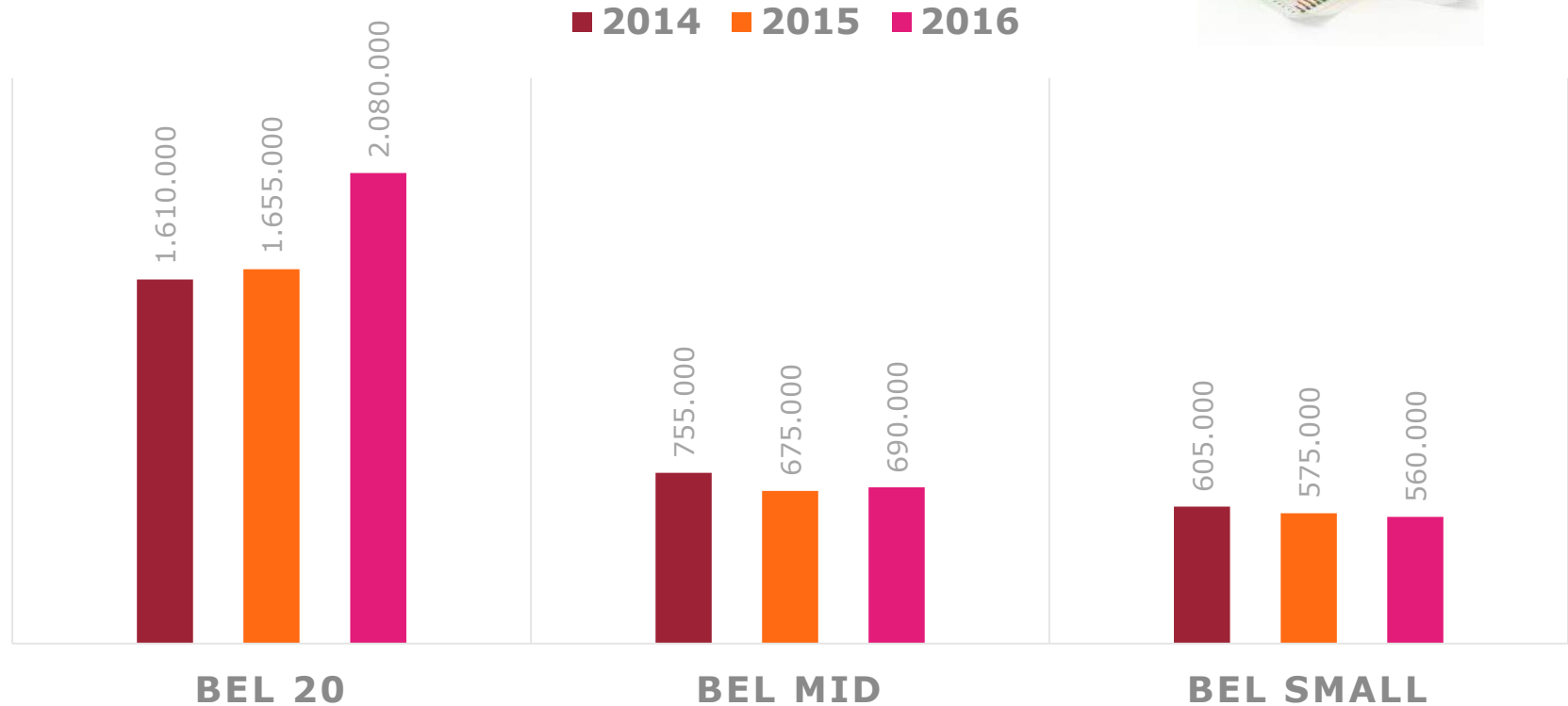
SAMPLE CEO PERSONAL CHARACTERISTICS

- Gender
 - Male: 95%
- Nationality:
 - Local CEO: 74%
- Age
 - Median: 55 (Q25: 51; Q75: 59)
- Tenure in current role in current firm
 - Median: 5 (Q25: 2; Q75: 9)

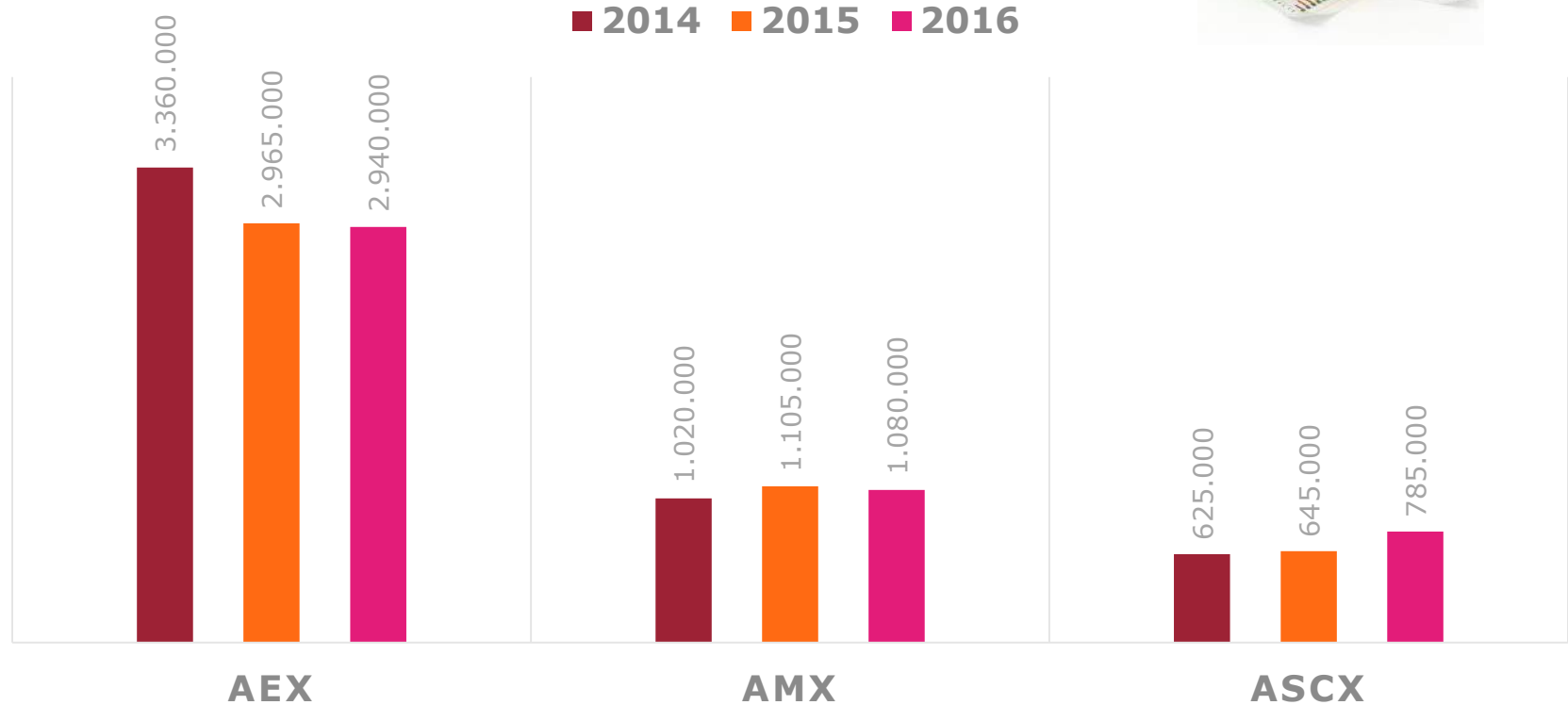
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REMUNERATION LEVELS & STRUCTURE

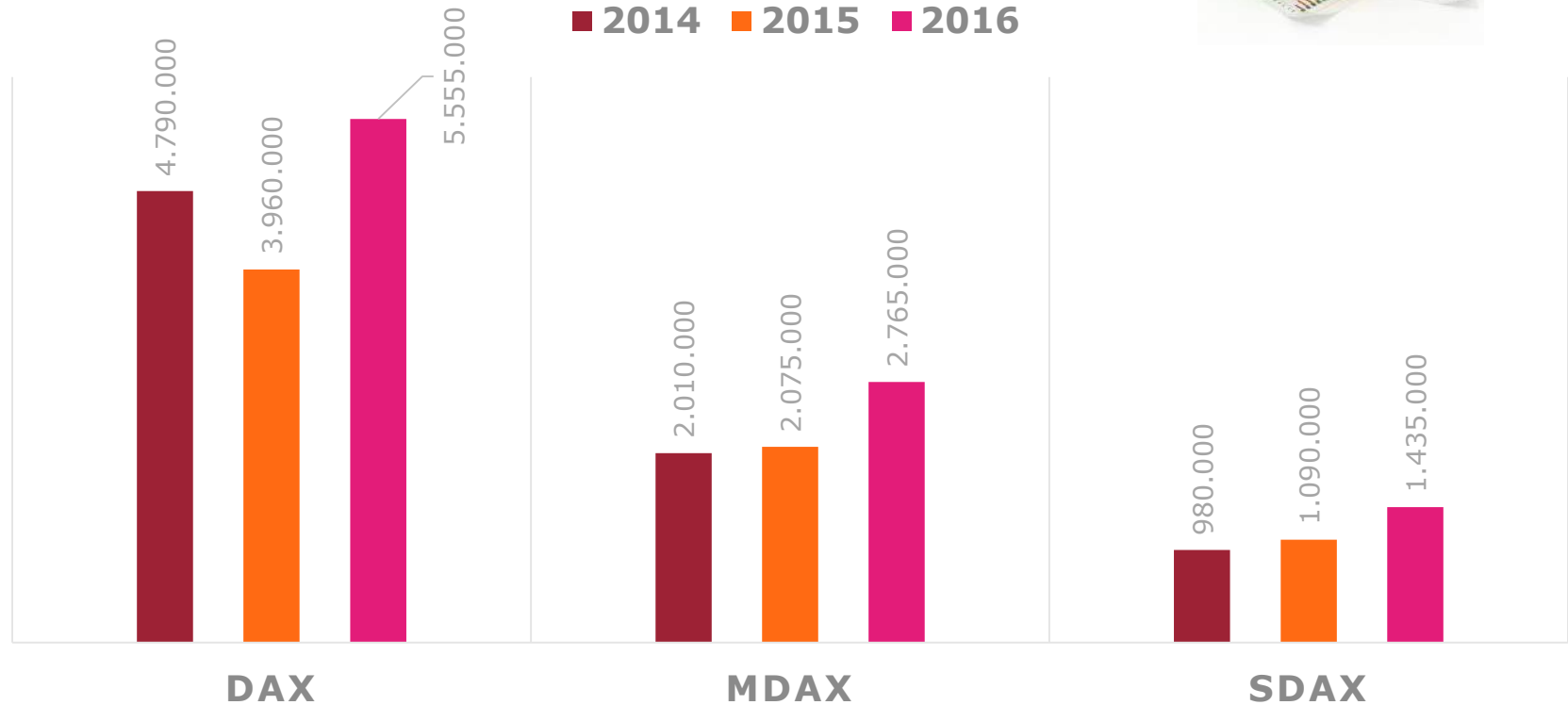
TOTAL CEO REMUNERATION BELGIUM - MEDIAN



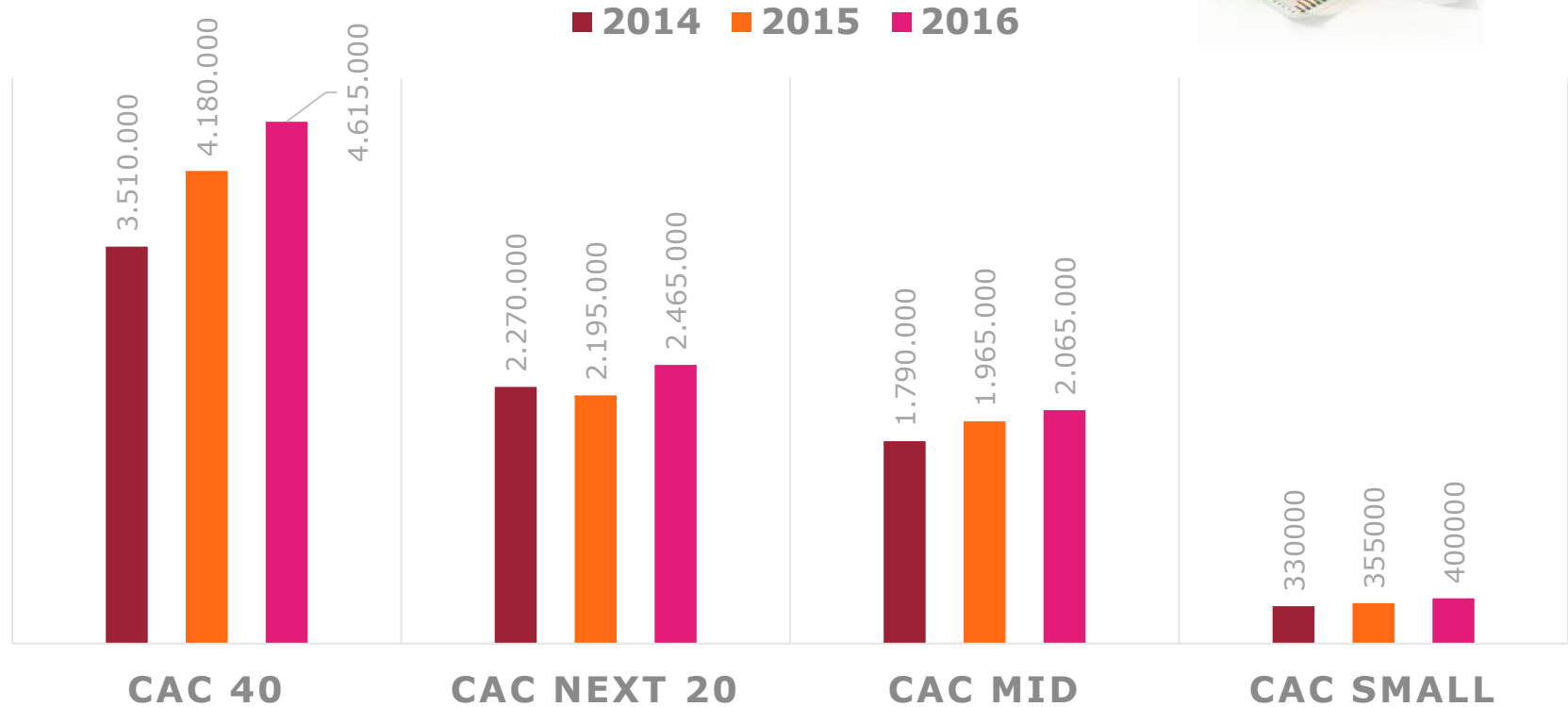
TOTAL CEO REMUNERATION NETHERLANDS - MEDIAN



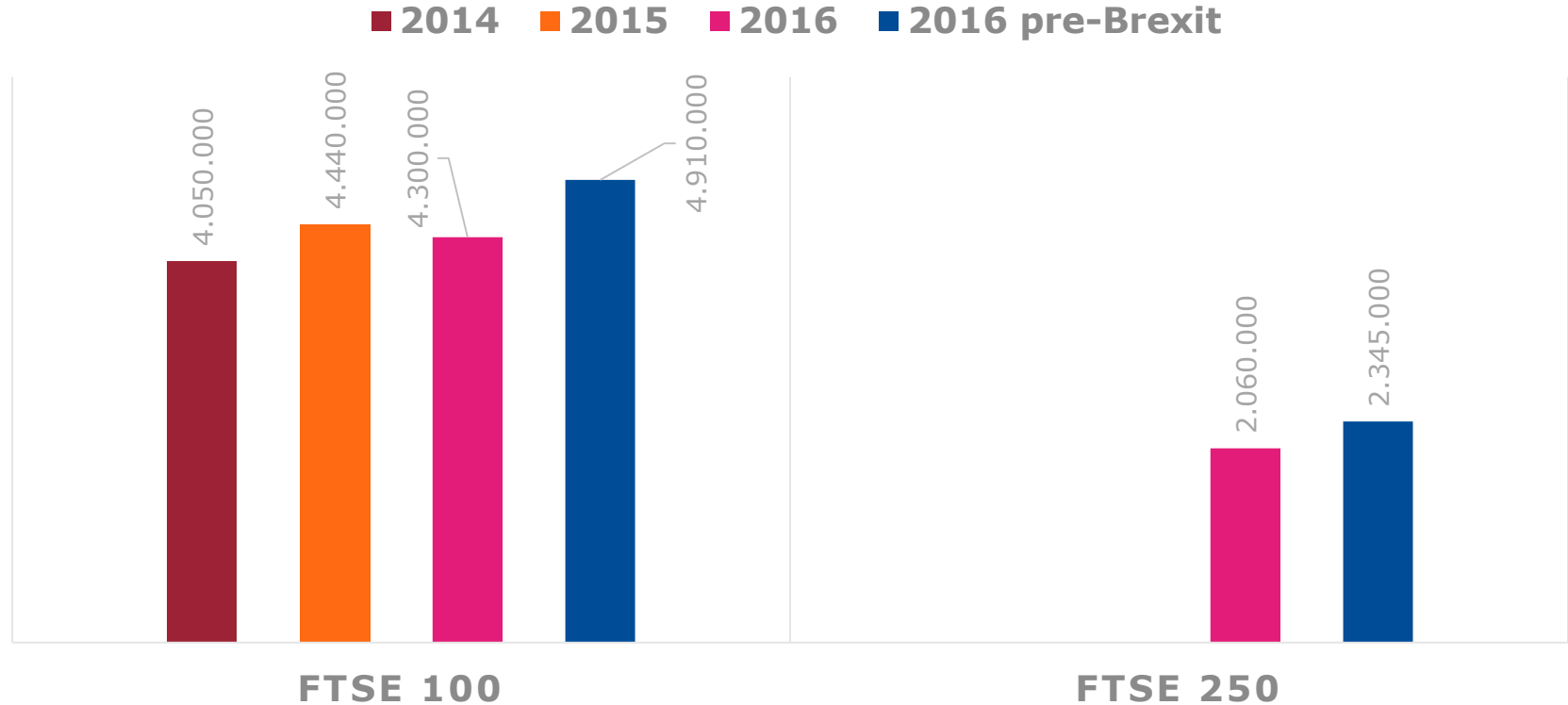
TOTAL CEO REMUNERATION GERMANY - MEDIAN



TOTAL CEO REMUNERATION FRANCE - MEDIAN



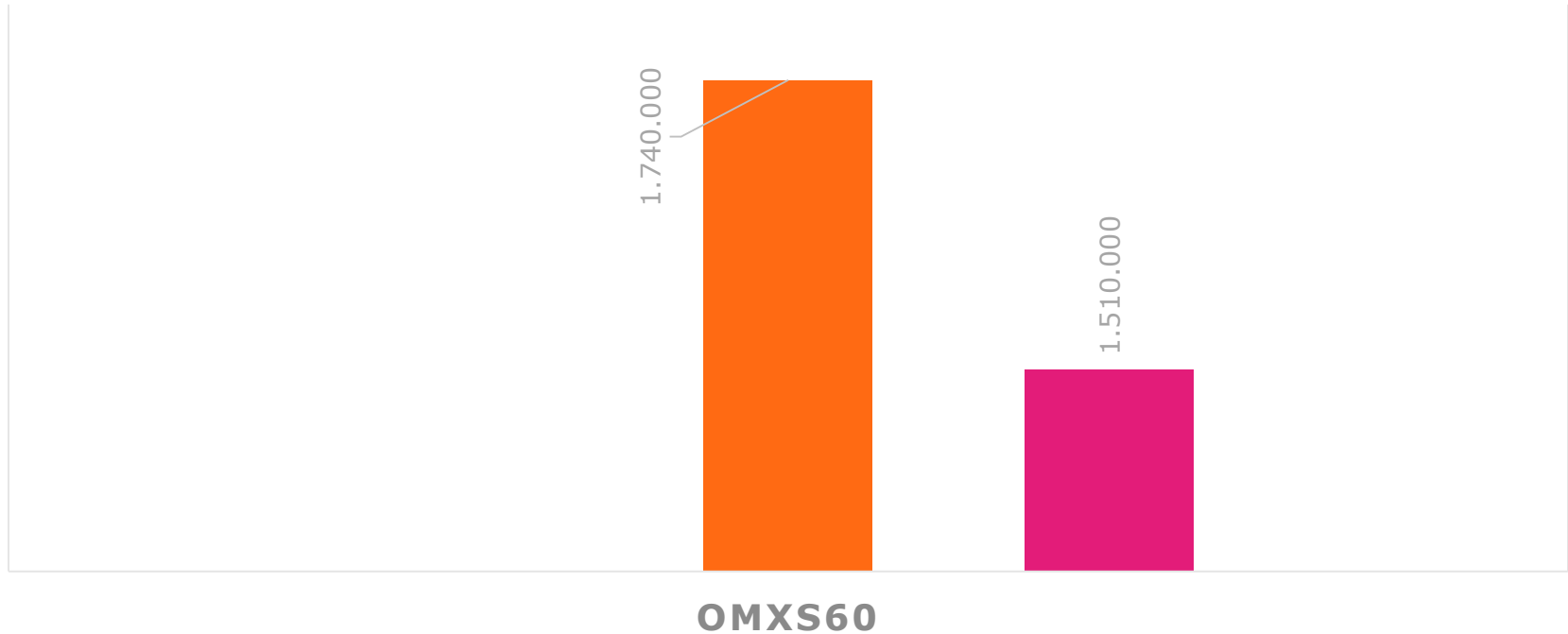
TOTAL CEO REMUNERATION UK - MEDIAN



TOTAL CEO REMUNERATION SWEDEN - MEDIAN



■ 2014 ■ 2015 ■ 2016



CEO FIXED REMUNERATION MEDIAN

	2014	2015	2016	Delta 14-16
Bel 20	675.000	710.000	705.000	+4%
Bel Mid	475.000	440.000	480.000	+1%
Bel Small	405.000	405.000	370.000	-9%
AEX	890.000	925.000	990.000	+11%
AMX	570.000	600.000	600.000	+5%
AScX	385.000	375.000	455.000	+18%
DAX	1.320.000	1.300.000	1.425.000	+8%
MDAX	750.000	765.000	830.000	+11%
SDAX	460.000	500.000	590.000	+28%

CEO FIXED REMUNERATION MEDIAN

	2014	2015	2016	Delta 14-16
CAC 40	975.000	1.100.000	1.100.000	+13%
CAC Next 20	775.000		800.000	+3%
CAC Mid	595.000	708.000	700.000	+18%
CAC Small	230.000	250.000	250.000	+9%
FTSE 100	980.000	1.170.000	1.045.000	+7%
FTSE 250			665.000	
OMXS 60		995.000	1.005.000	

CEO SHORT-TERM INCENTIVES MEDIAN

	2014	2015	2016	Delta 14-16
Bel 20	400.000	420.000	560.000	+40%
Bel Mid	270.000	285.000	230.000	-15%
Bel Small	145.000	145.000	125.000	-14%
AEX	890.000	920.000	780.000	-12%
AMX	360.000	350.000	260.000	-28%
AScX	190.000	180.000	170.000	-11%
DAX	1.350.000		2.060.000	+53%
MDAX	650.000		775.000	+19%
SDAX	285.000		385.000	+35%

CEO SHORT-TERM INCENTIVES MEDIAN

	2014	2015	2016	Delta 14-16
CAC 40	1.180.000	1.395.000	1.325.000	+12%
CAC Next 20	965.000		860.000	-11%
CAC Mid	675.000	640.000	665.000	-1%
CAC Small	115.000	130.000	130.000	+13%
FTSE 100	1.230.000	1.430.000	1.150.000	-7%
FTSE 250			525.000	
OMXS 60		510.000	570.000	

CEO LONG-TERM INCENTIVES MEDIAN

	2014	2015	2016	Delta 14-16
Bel 20	415.000	910.000	1.155.000	+178%
Bel Mid	165.000	135.000	170.000	+3%
Bel Small	65.000	65.000	70.000	+8%
AEX	1.280.000	1.310.000	1.260.000	-2%
AMX	280.000	400.000	355.000	+27%
AScX	150.000	150.000	225.000	+50%
DAX	1.835.000	1.735.000	1.535.000	-16%
MDAX	630.000	595.000	940.000	+49%
SDAX	190.000	410.000	550.000	+189%

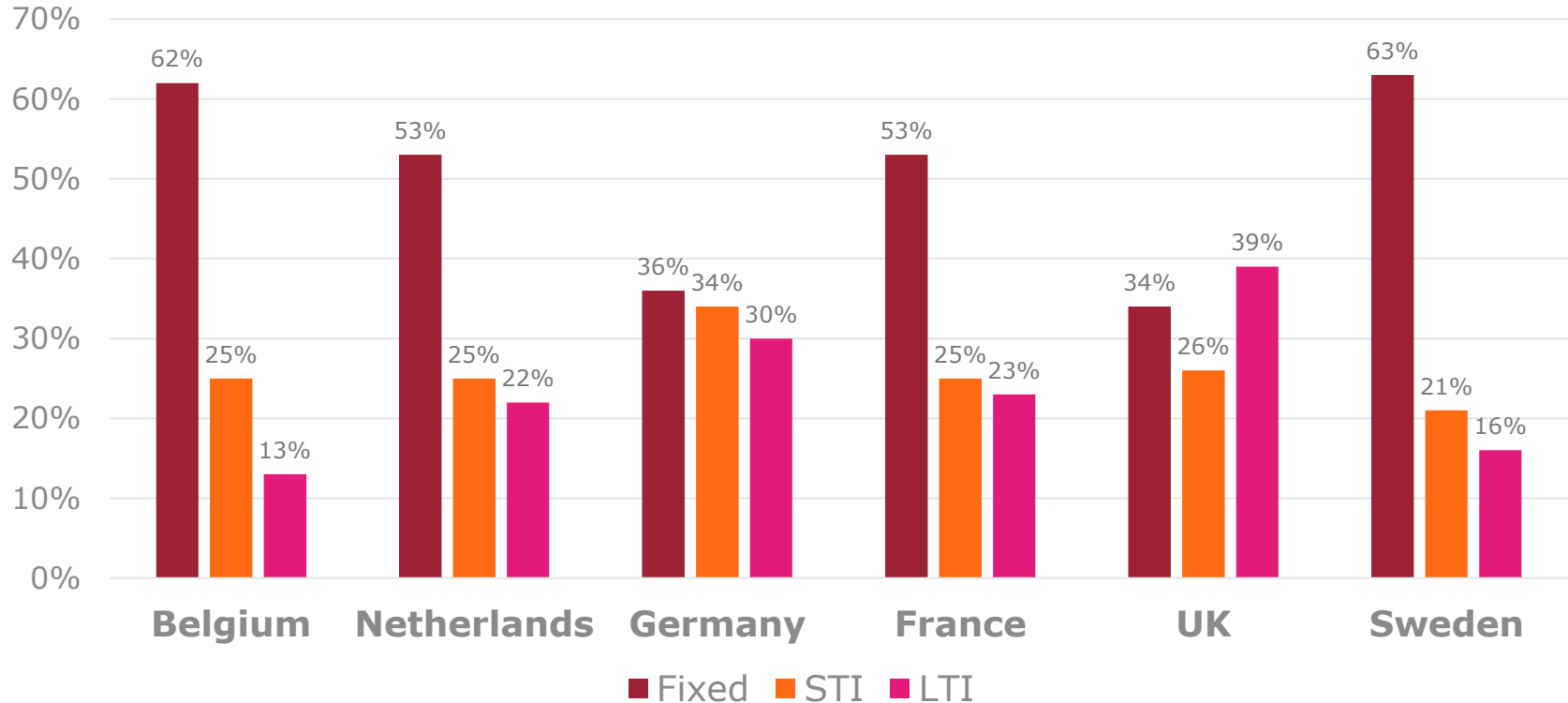
CEO LONG-TERM INCENTIVES MEDIAN

	2014	2015	2016	Delta 14-16
CAC 40	1.490.000	1.945.000	2.190.000	+47%
CAC Next 20	985.000		1.380.000	+40%
CAC Mid	790.000	1.060.000	860.000	+9%
CAC Small	170.000	310.000	370.000	+118%
FTSE 100	1.820.000	2.250.000	2.210.000	+21%
FTSE 250			905.000	
OMXS 60		440.000	470.000	

TOTAL CEO REMUNERATION IN TERMS OF FIRM SIZE – MARKET CAP

	Belgium	Netherlands	Germany	France	UK	Sweden
<i>< 300m</i>	530.000	790.000		330.000		
<i>300m – 1bn</i>	780.000	805.000	1.350.000	605.000	1.470.000	
<i>1bn – 3bn</i>	690.000	1.050.000	1.781.500	1.645.000	2.090.000	920.000
<i>3bn – 10bn</i>	1.970.000	2.425.000	2.860.000	2.635.000	2.900.000	1.505.000
<i>> 10bn</i>	4.335.000	4.195.000	5.825.000	4.600.000	7.000.000	2.055.000

CEO REMUNERATION STRUCTURE



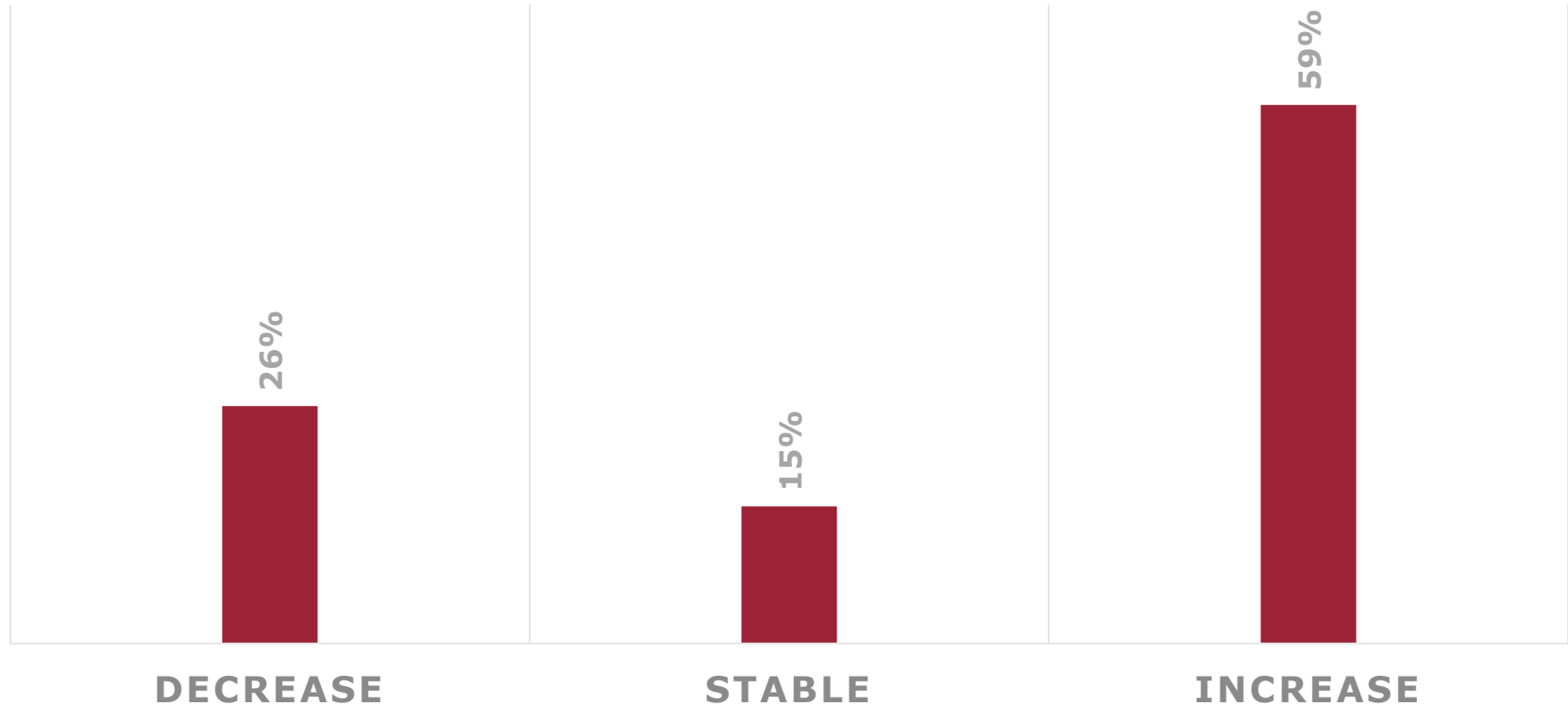
CEO REMUNERATION STRUCTURE

	% fixed	% STI	% LTI
Bel 20	47%	27%	26%
Bel Mid	65%	26%	10%
Bel Small	71%	22%	7%
AEX	38%	29%	33%
AMX	55%	23%	22%
AScX	64%	24%	12%
DAX	32%	39%	29%
MDAX	35%	30%	35%
SDAX	42%	33%	25%

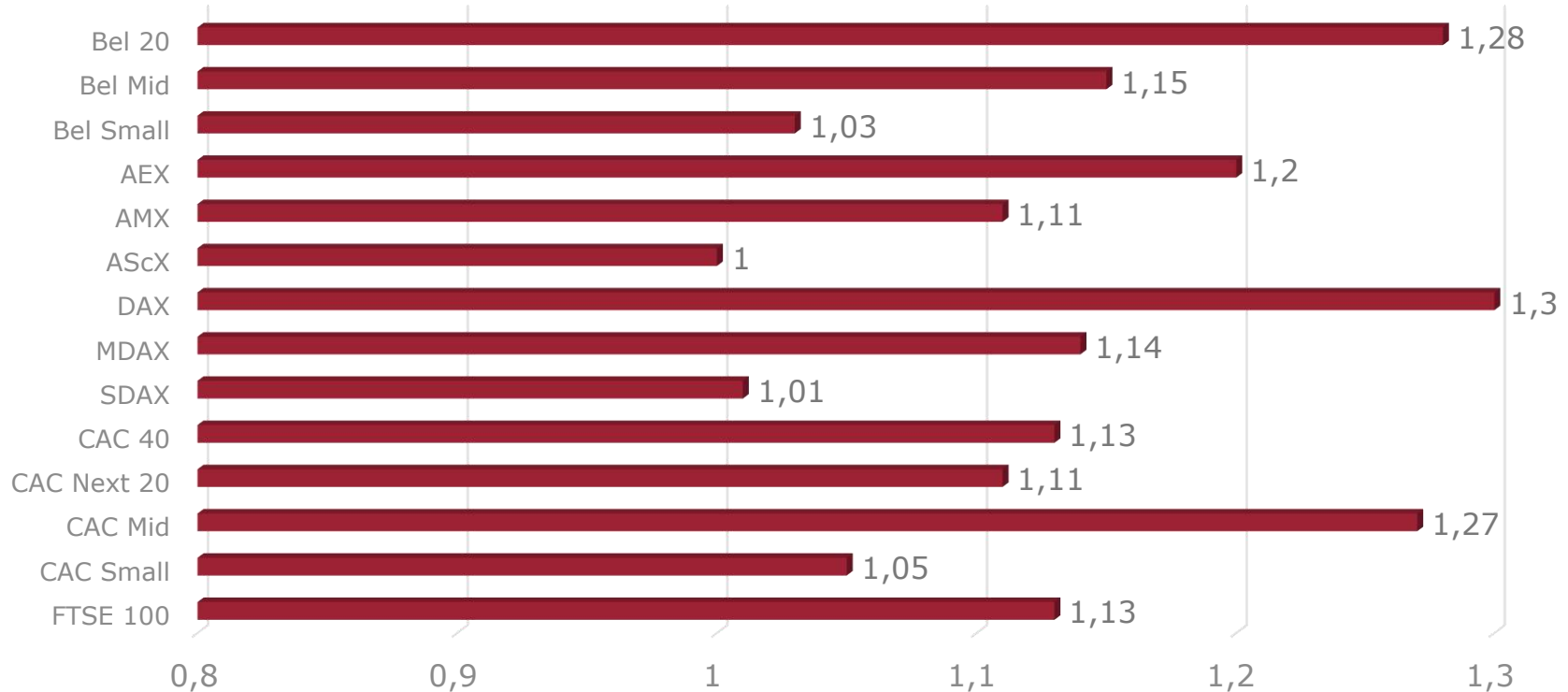
CEO REMUNERATION STRUCTURE

	% fixed	% STI	% LTI
CAC 40	28%	34%	38%
CAC Next 20	38%	27%	35%
CAC Mid	42%	28%	30%
CAC Small	55%	20%	14%
FTSE 100	29%	27%	44%
FTSE 250	37%	26%	37%
OMXS 60	63%	21%	16%

EVOLUTION CEO TOTAL REMUNERATION 2014-2016 MATCHED SAMPLE



EVOLUTION CEO TOTAL REMUNERATION 2014-2016 MATCHED SAMPLE



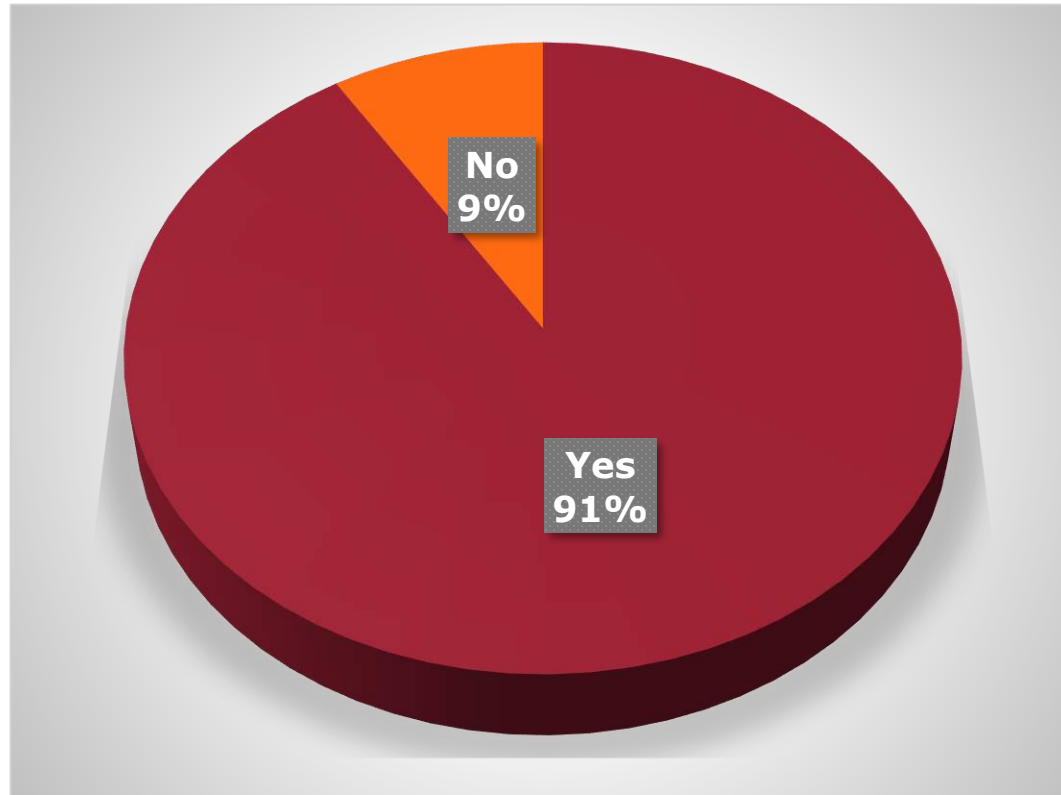
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SHORT-TERM INCENTIVES

DISCLOSURE ON KEY PERFORMANCE INDICATORS UNDERLYING SHORT-TERM INCENTIVES

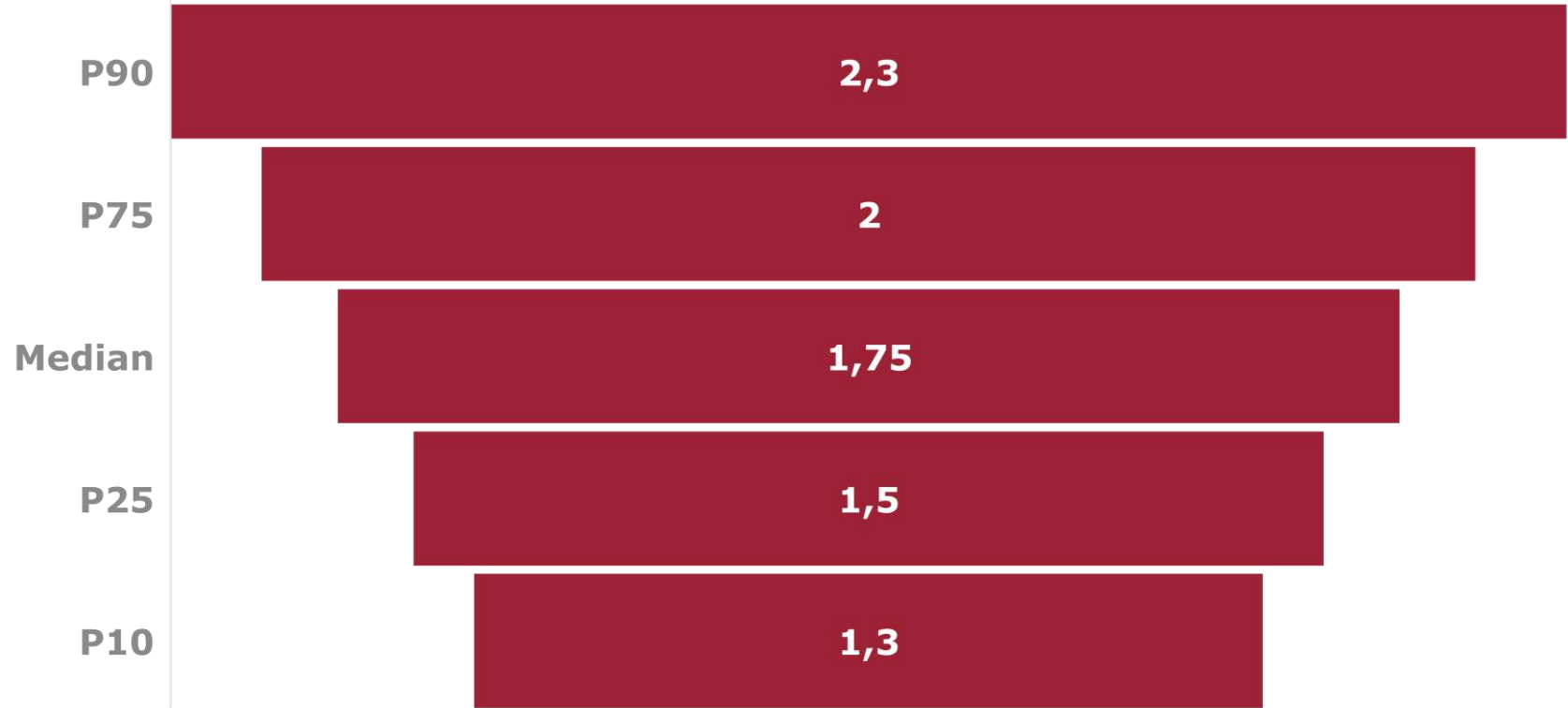
	Bel 20	Bel Mid	Bel Small
Target bonus disclosed	47%	18%	11%
Maximum bonus disclosed	53%	57%	26%
Key performance indicators disclosed	75%	82%	74%
Weighting of key performance indicators disclosed	27%	17%	29%

SHORT-TERM INCENTIVES OCCURRENCE - TARGET (% FIXED)



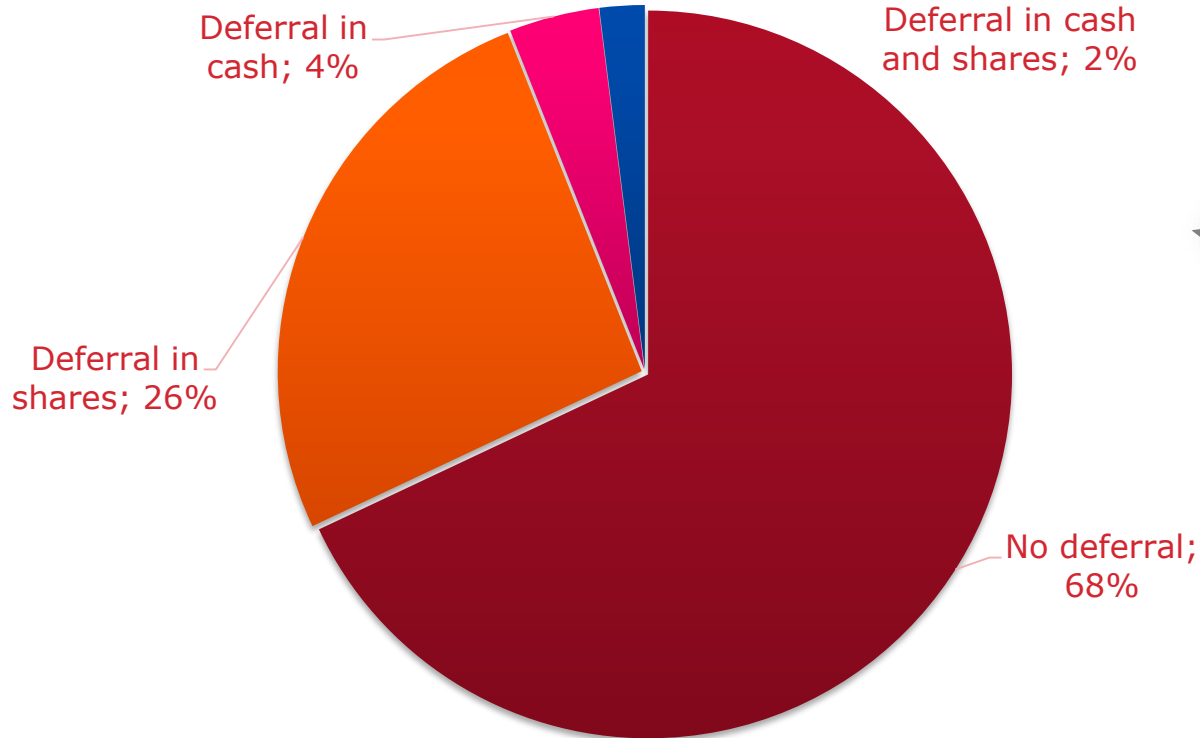
	Target	Real
Bel 20	70%	87%
Bel Mid	76%	50%
Bel Small	63%	36%
AEX	85%	92%
AMX	60%	39%
AScX	50%	40%
DAX	100%	141%
MDAX	89%	94%
SDAX	73%	87%
CAC 40	100%	120%
CAC Next 20	100%	117%
CAC Mid	100%	94%
CAC Small	50%	46%
FTSE 100	100%	103%
FTSE 250	75%	83%
OMXS 60	88%	49%

SHORT-TERM INCENTIVES SPREAD TARGET-MAX BONUS



SHORT-TERM INCENTIVES

PAY-OUT: BONUS DEFERRAL



- Typical design: 50% deferred, over 3 years!
- 90% no additional performance conditions

SHORT-TERM INCENTIVES

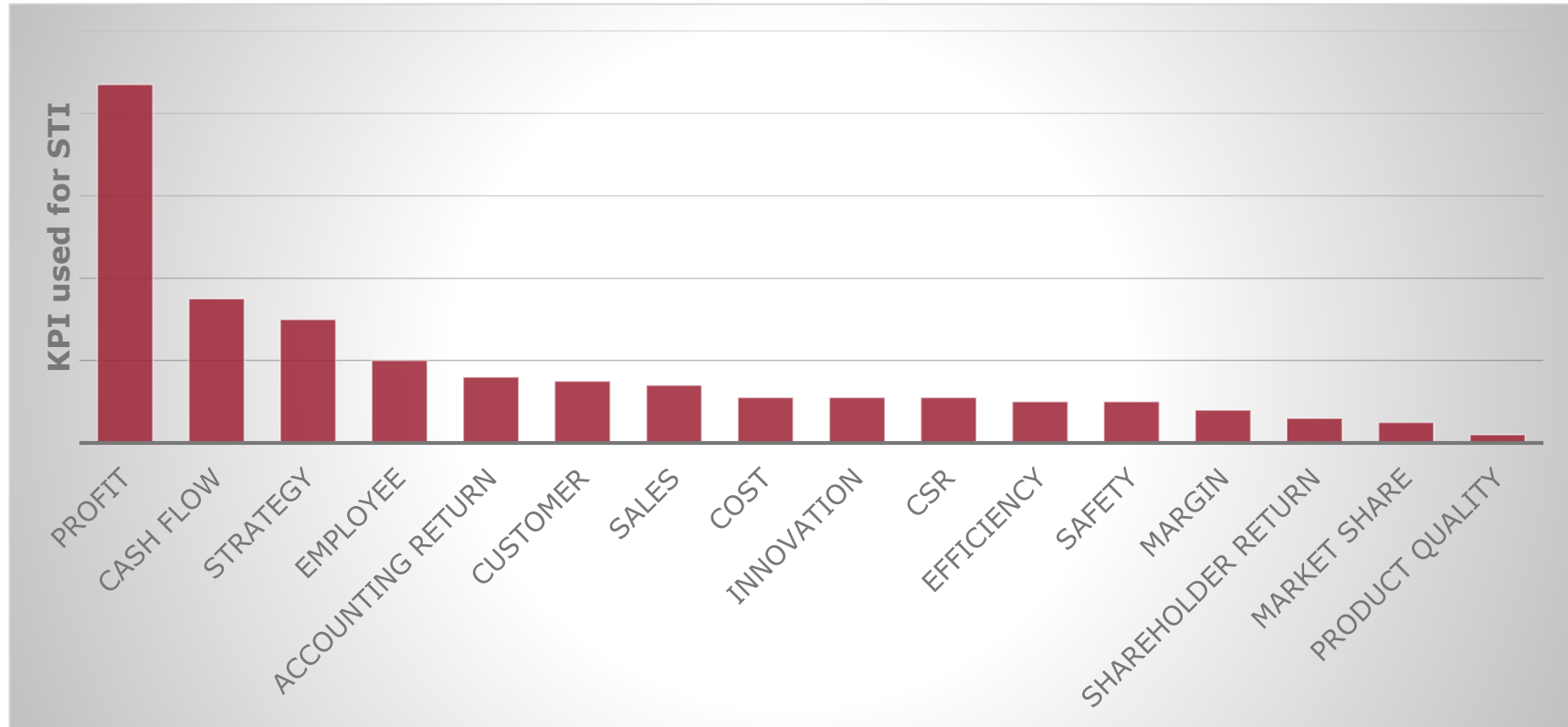
PAY OUT: BONUS DEFERRAL

	Bonus deferral?
Bel 20	45%
Bel Mid	14%
Bel Small	0%
AEX	44%
AMX	18%
AScX	23%
DAX	37%
MDAX	12%
SDAX	19%

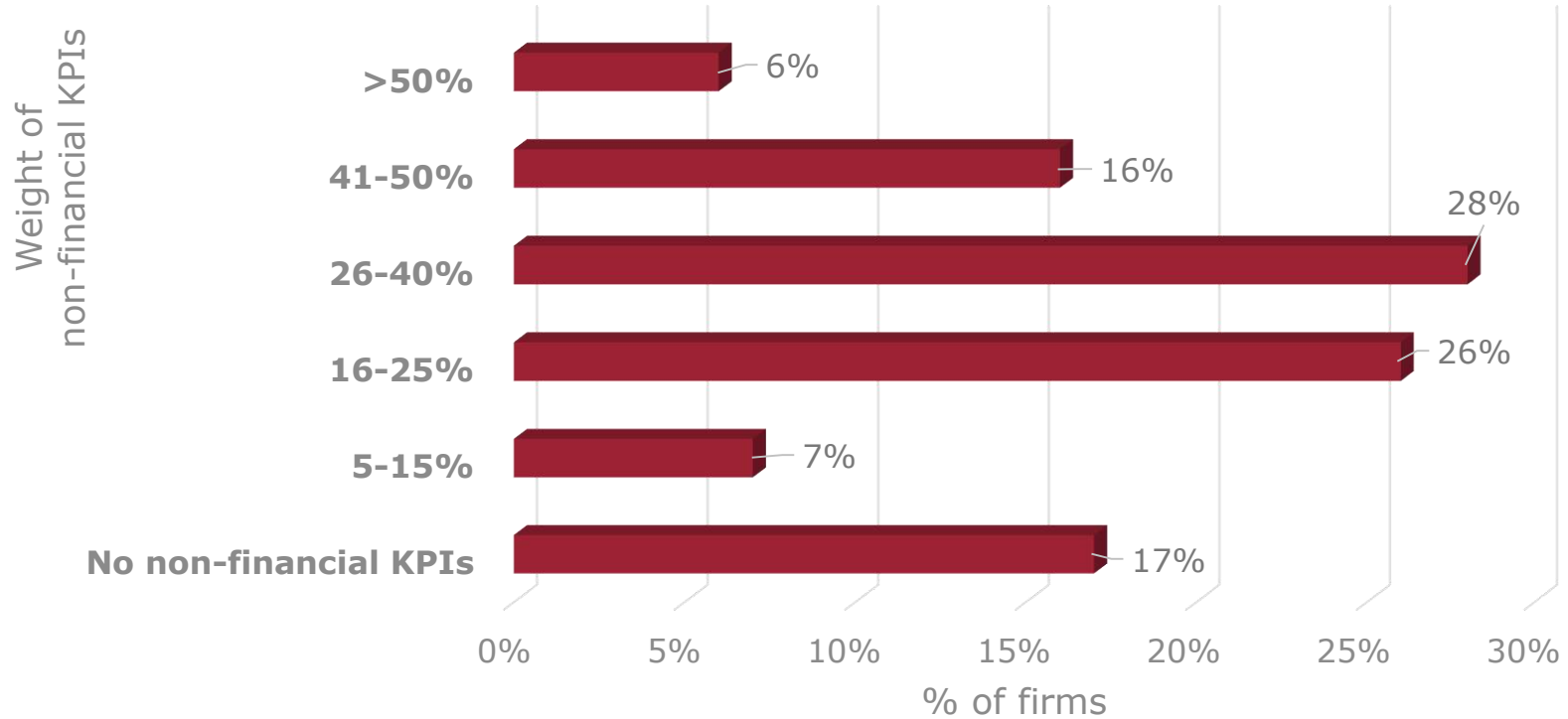
	Bonus deferral?
CAC 40	15%
CAC Next 20	6%
CAC Mid	4%
CAC Small	2%
FTSE 100	79%
FTSE 250	56%
OMXS 60	11%

SHORT-TERM INCENTIVES

KEY PERFORMANCE INDICATORS



SHORT-TERM INCENTIVES KEY PERFORMANCE INDICATORS



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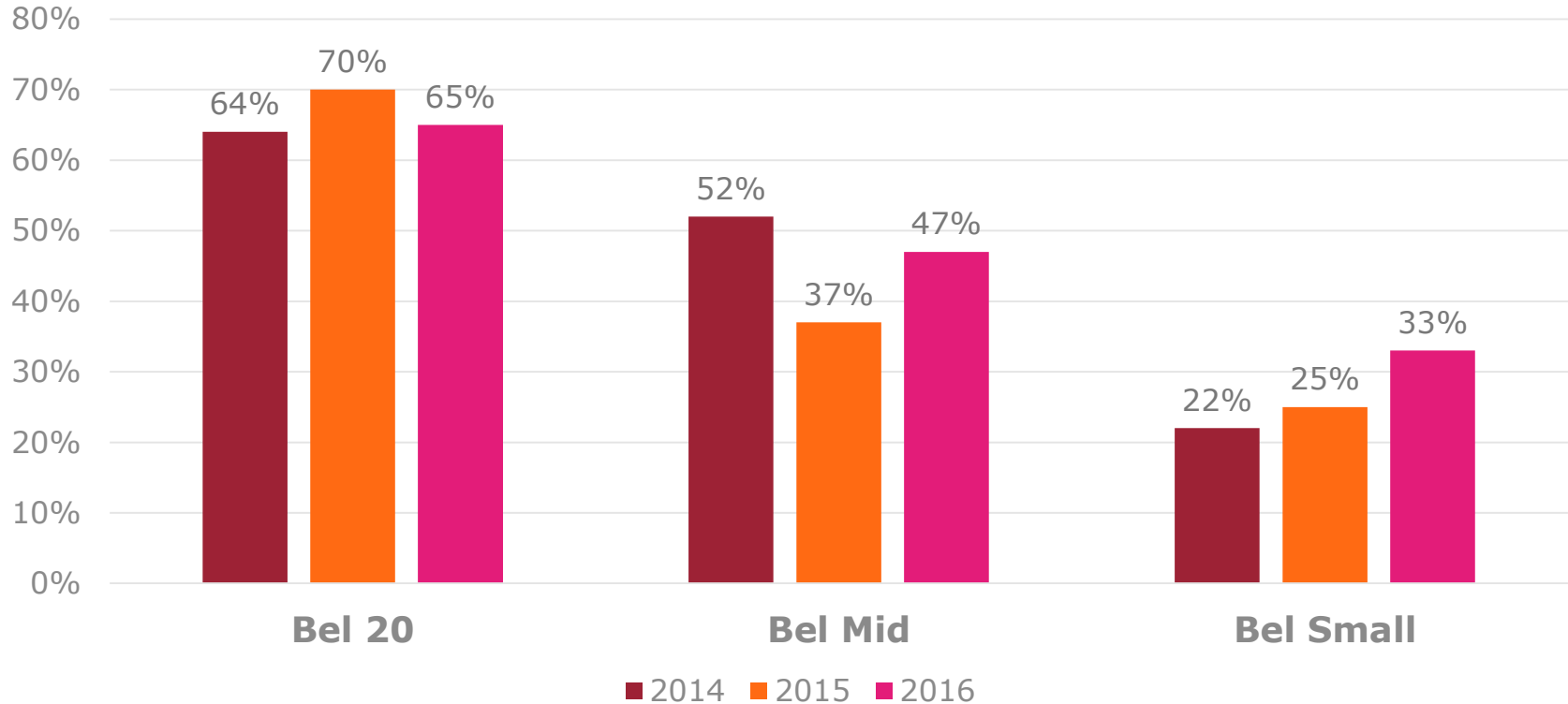
LONG-TERM INCENTIVES

LONG-TERM INCENTIVES GRANTED?

	LTI grant?
Bel 20	65%
Bel Mid	46%
Bel Small	33%
AEX	78%
AMX	78%
AScX	46%
DAX	90%
MDAX	90%
SDAX	77%

	LTI grant?
CAC 40	85%
CAC Next 20	74%
CAC Mid	72%
CAC Small	34%
FTSE 100	89%
FTSE 250	85%
OMXS 60	61%

LONG-TERM INCENTIVES GRANTED? EVOLUTION - BELGIUM



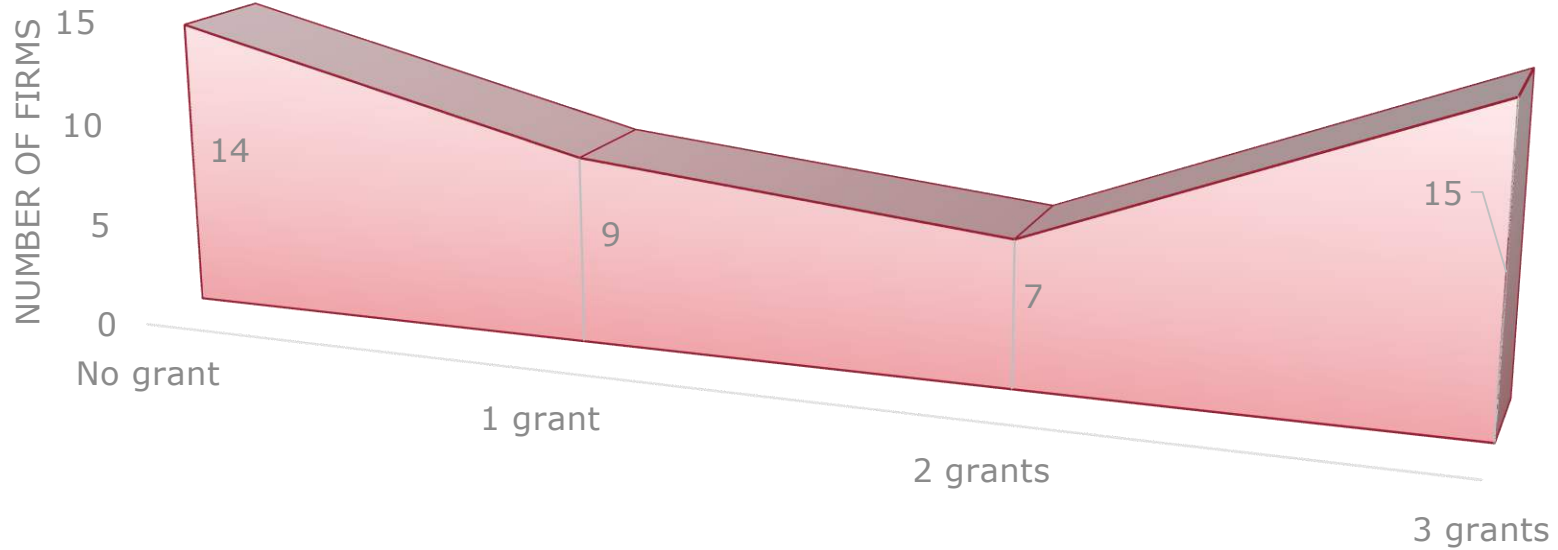
LONG-TERM INCENTIVES

NUMBER OF GRANTS (2014-2016)

Country	No grant	1 grant	2 grants	3 grants
Belgium	31%	20%	16%	33%
Netherlands	5%	15%	18%	62%
Germany	3%	9%	24%	64%
France	36%	22%	15%	27%
UK	2%	0%	13%	85%

LONG-TERM INCENTIVES

NUMBER OF GRANTS (2014-2016) - BELGIUM



LONG-TERM INCENTIVES

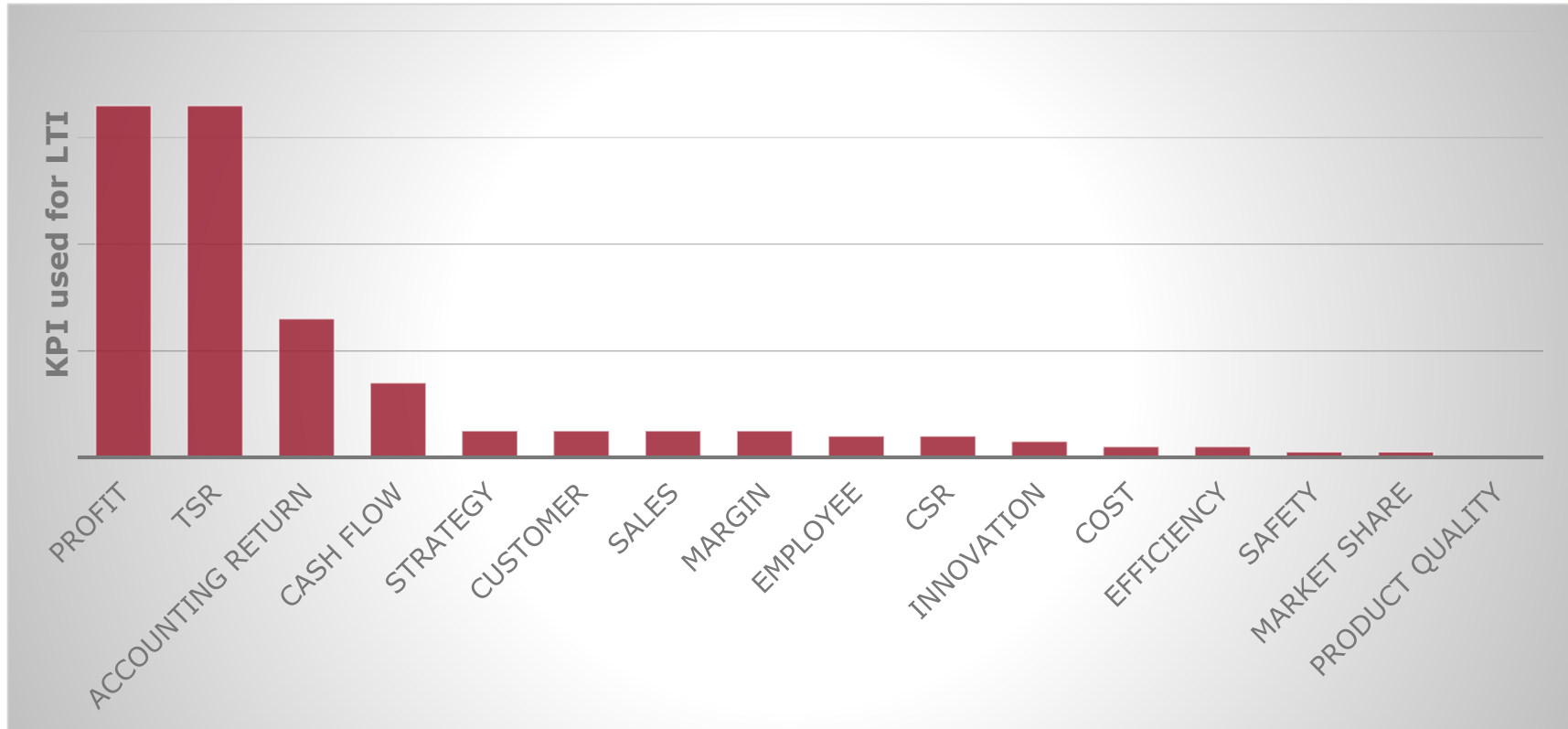
WHAT DETERMINES THE NUMBER OF GRANTS?

Number of LTI grants 2014-2016	Significant relationship?	Coefficient
Firm size	X	0,43
Industry		
Country: Netherlands	X	0.14
Country: Germany	X	0.18
Country: France		
Country: UK	X	0.15
Country: Sweden		

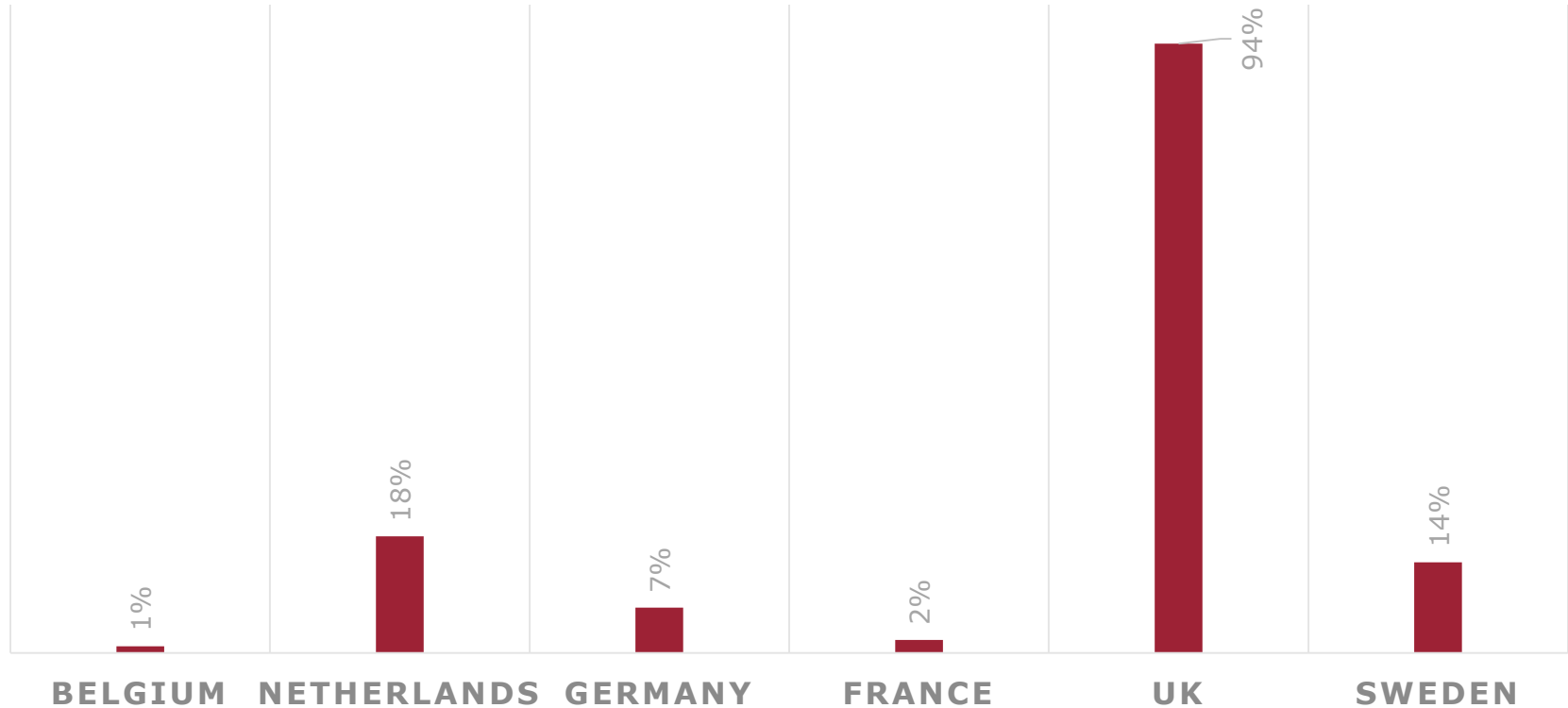
LONG-TERM INCENTIVES TYPOLOGY

LTI type	B	NL	D	F	UK	SE
Time-based options	28%	9%	2%	6%	1%	0%
Performance-based options	8%	10%	4%	4%	6%	8%
Nil cost options	0%	0%	0%	0%	38%	0%
Time-based shares	4%	1%	1%	1%	1%	0%
Performance-based shares	7%	49%	14%	37%	45%	36%
Free shares	0%	0%	1%	8%	0%	3%
Phantom time-based	1%	0%	5%	0%	0%	0%
Phantom performance-based	3%	1%	27%	3%	1%	3%
Stock appreciation rights time-based	0%	0%	3%	0%	0%	0%
Stock appreciation rights performance-based	0%	1%	3%	0%	0%	0%
Cash	4%	3%	42%	3%	0%	14%

LONG-TERM INCENTIVES KPIs FOR VESTING



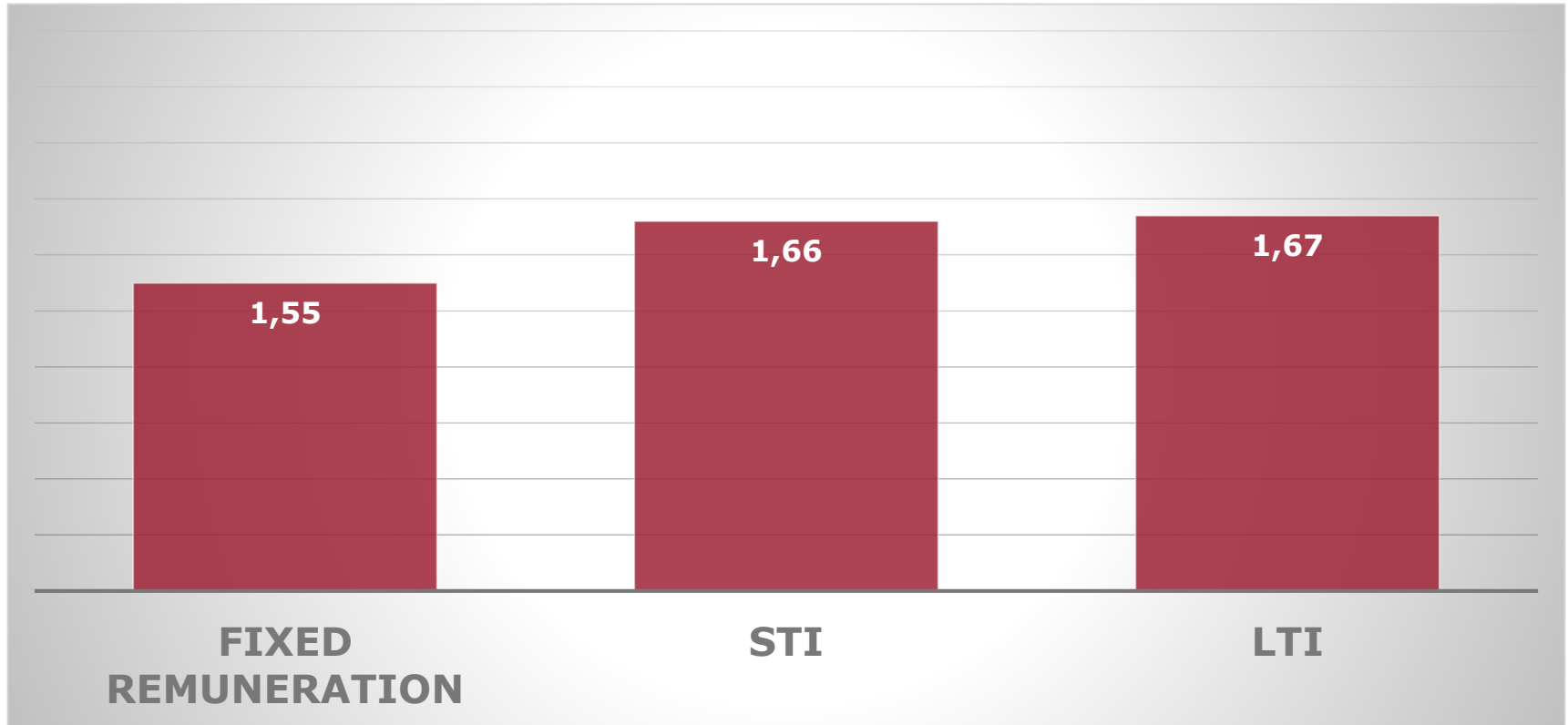
SHAREHOLDING REQUIREMENT?



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PAY RATIO

PAY RATIO CEO-CFO

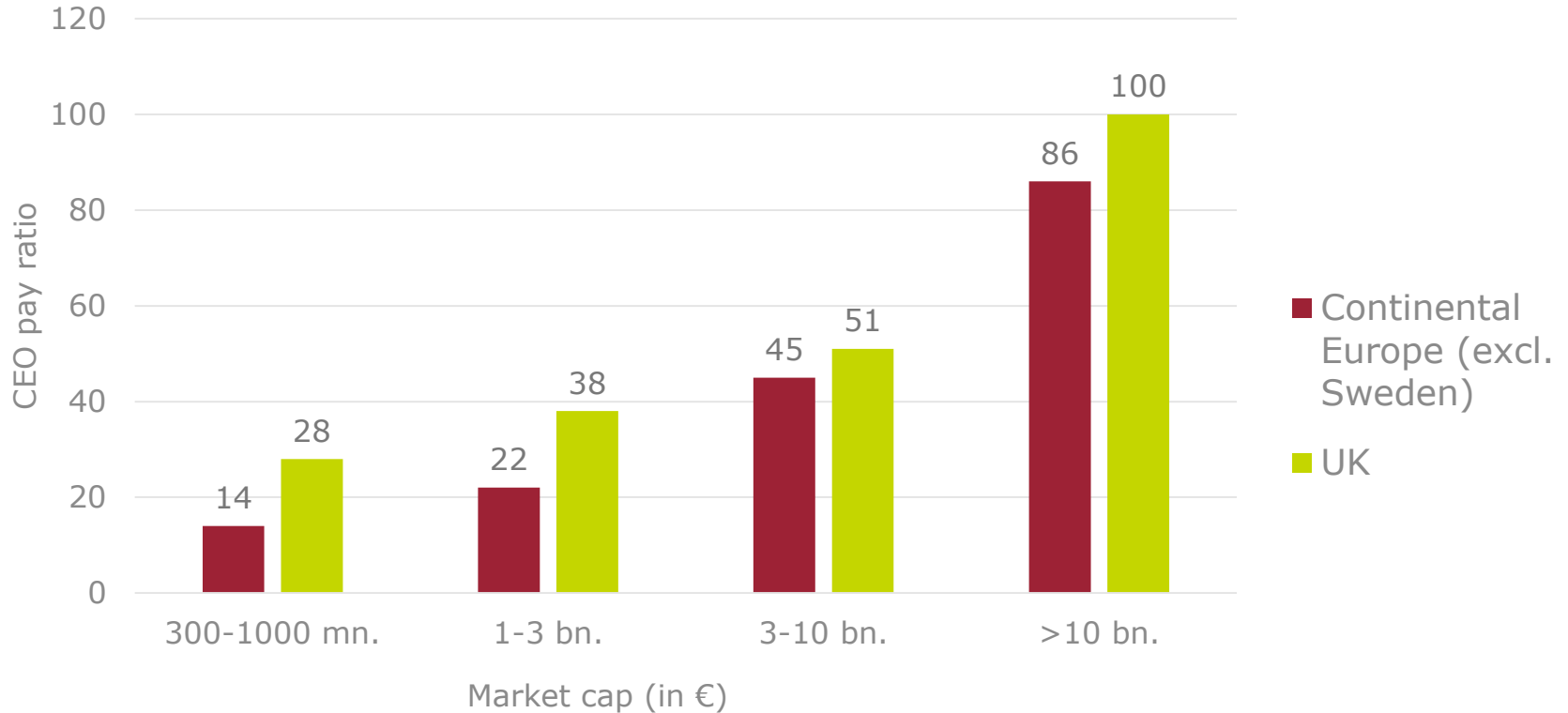


PAY RATIO CEO-AVERAGE EMPLOYEE

Pay ratio	
Bel 20	37
Bel Mid	23
Bel Small	13
AEX	71
AMX	17
AScX	14
DAX	89
MDAX	50
SDAX	30

Pay ratio	
CAC 40	91
CAC Next 20	117
CAC Mid	44
CAC Small	12
FTSE 100	94
FTSE 250	47
OMXS 60	40

PAY RATIO CEO-AVERAGE EMPLOYEE



WHAT DETERMINES PAY RATIO?

	Significant relationship?	Coefficient
Firm size	X	0,664
Firm profitability	X	-0,085
Ownership dispersion		
Country: Netherlands		
Country: Germany		
Country: France		
Country: UK	X	0,268
Country: Sweden		
CEO gender		
CEO age		
CEO tenure		
CEO nationality		

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WHAT DRIVES CEO REMUNERATION?

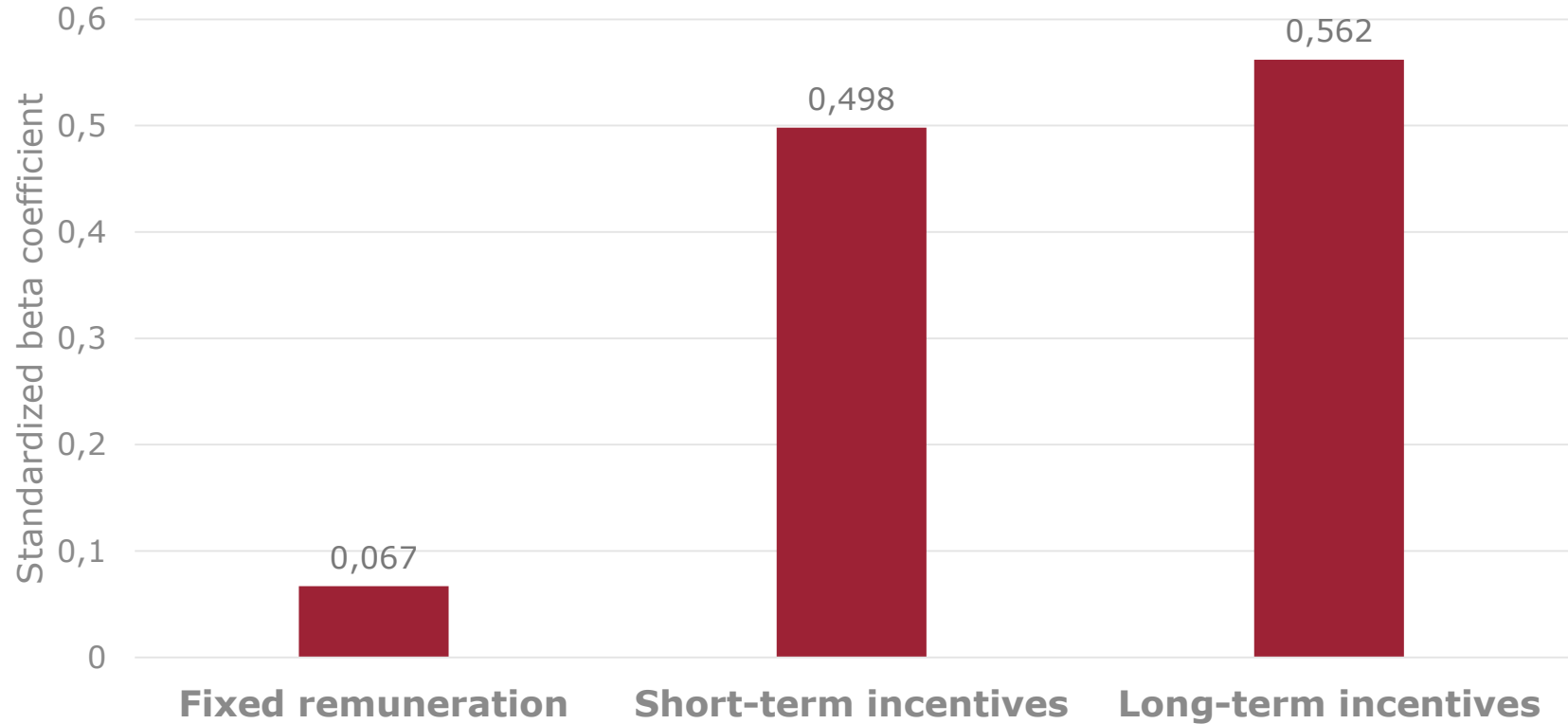
WHAT DRIVES TOTAL CEO REMUNERATION?

	Significant relationship?	Coefficient
Firm size	X	0,654
Industry: telecom	X	-0.090
Firm profitability		
Ownership dispersion	X	0.088
Country: Netherlands		
Country: Germany	X	0.185
Country: France		
Country: UK	X	0.323
Country: Sweden		
CEO gender		
CEO age		
CEO tenure	X	-0.102
CEO nationality		

WHAT DRIVES THE EVOLUTION IN TOTAL CEO REMUNERATION (2014-2016)?

	Significant relationship?	Coefficient
Firm size (evolution)	X	0,212
Industry		
Firm profitability (evolution)	X	0,144
Ownership dispersion		
Country: Netherlands		
Country: Germany		
Country: France		
Country: UK		
Country: Sweden		
CEO gender		
CEO age		
CEO tenure		
CEO nationality		

WHAT DRIVES THE EVOLUTION IN TOTAL CEO REMUNERATION (2014-2016)?



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WHAT CHARACTERISES CEO REMUNERATION IN THE BEST PERFORMING FIRMS?

SUSTAINED FINANCIAL PERFORMANCE

WHAT? HOW?

■ Criterion

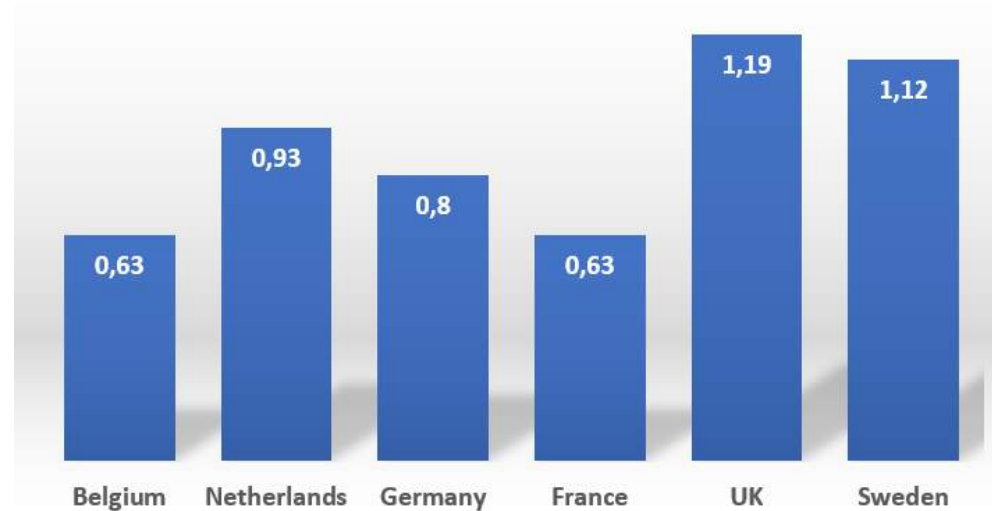
- Return on Assets

■ Timeframe

- 2010-2016 (7y.)

■ Average per sector

- 41 sectors



(HOW) IS SUSTAINED FINANCIAL PERFORMANCE RELATED TO CEO REMUNERATION? THE ANSWERS...

<i>Dimension</i>	<i>Relationship</i>
Remuneration level	Negative
Proportion variable	Negative
STI design	Bonus deferral: negative Spread target-max: negative Use/weighting non-financial KPIs? No relation
LTI design	Occurrence of LTI grant? No relation Type of LTI grant? No relation
Pay ratio	CEO-CFO: negative CEO-average employee: negative
Shareholding requirement	No relation

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CEO RELATIVE PAYMENT

PREDICTED CEO REMUNERATION

THE CONCEPT



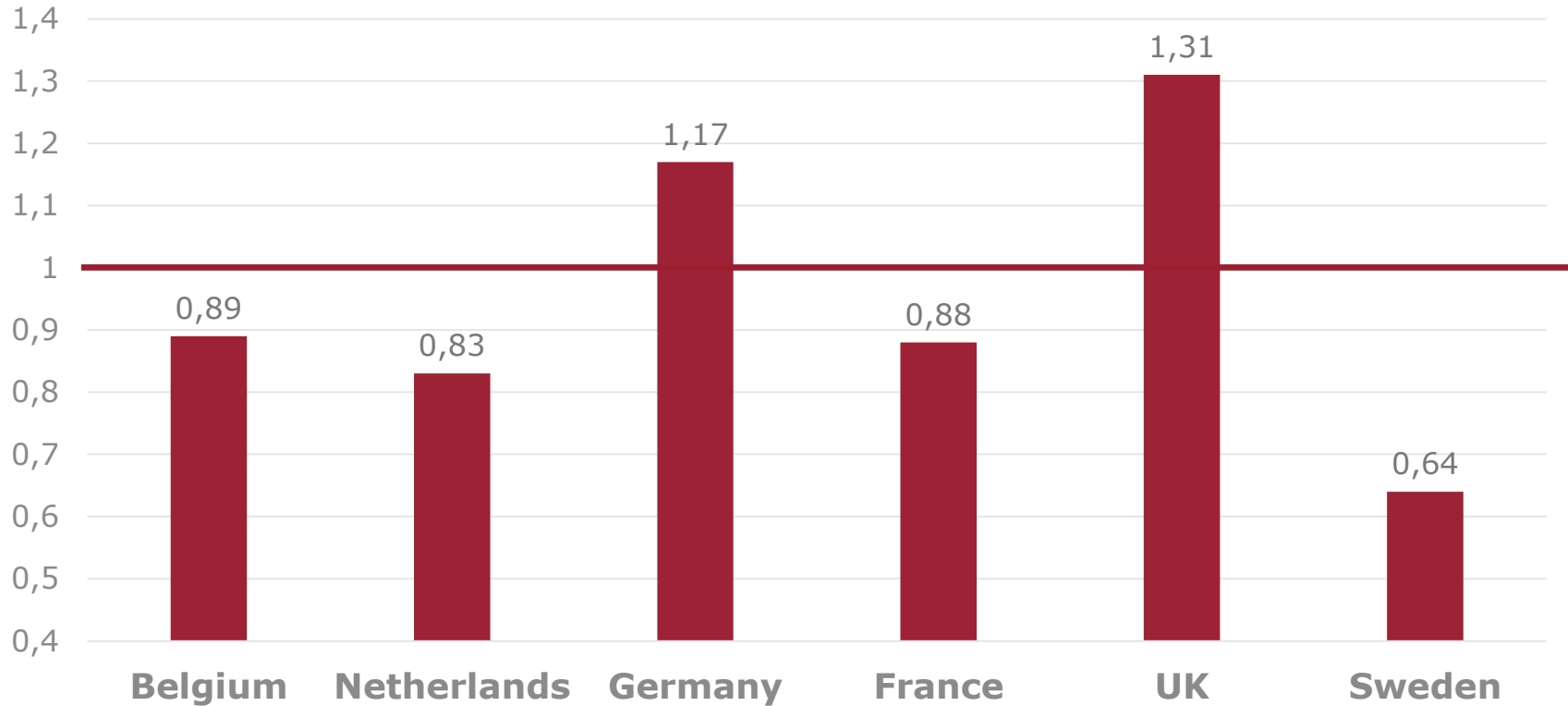
Market
capitalisation

Profitability

Industry

**Predicted CEO
remuneration**

ACTUAL VERSUS PREDICTED CEO REMUNERATION A COUNTRY ANALYSIS



ACTUAL VERSUS PREDICTED CEO REMUNERATION WHAT DRIVES CEO 'OVERPAYMENT'?

	Significant relationship?	Coefficient
Ownership dispersion	X	0,13
Country: Netherlands		0,08
Country: Germany	X	0,26
Country: France		0,17
Country: UK	X	0,50
Country: Sweden		-0,07
CEO gender		0,03
CEO age		0,1
CEO tenure		-0,07
CEO nationality		-0,08

HAPPY TO CONNECT



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