2022 Corporate Governance and Executive Pay Report

Navigating uncertainty: ESG as a compass for success

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P&O Consulting / Reward

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Dear reader,

The previous years have come with many uncertainties in many aspects, and this situation is expected to continue beyond 2022. PwC's 25th Annual Global CEO Survey revealed that Belgian CEOs remain cautiously optimistic about the prospect of economic growth and their company's prospects for revenue growth over the next 12 months - but that was in October / November 2021 before the onset of the energy crisis. At this stage, it's expected that most leaders are worrying about the impact of the cost of energy and increasing inflation on the sustainability of their business and workforce. A recent PwC survey - "The Great Rethink Survey 2022" - highlighted how businesses respond to uncertainty when it comes to their workforce and how they manage cost, talent, skills and productivity.

One thing is certain: the ESG (environmental, social and governance) agenda is here to stay and continues to be a priority for boards. External stakeholders are increasingly using these non-financial factors as part of their analyses to identify material risks and growth opportunities, or to make sustainable consumption choices that will be in line with their values. Likewise, ESG supports engagement and retention strategies of companies, as (candidate) employees expect their employer to make a positive contribution to society. Employees are also seeking meaningful jobs in which they feel aligned with their company's values.

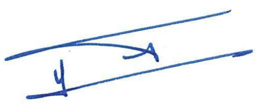
There is a consensus among stakeholders and senior leadership on the need to link ESG to executive compensation, despite disagreement on ESG priorities. This confirms that linking executive compensation to ESG remains a challenging exercise.

We expect further developments will impact companies' ESG strategies with the adoption of the Corporate Sustainability Reporting Directive (CSRD) and other proposals in the pipeline, such as the Women on Boards Directive and the Pay Transparency Directive. We encourage all companies to anticipate these changes.

This report analyses the results of the 2022 annual general meetings of the listed companies based in either Belgium or Luxembourg whose shares are admitted to trading on a regulated market - the 'Selected Index'. As in previous reports, we have examined executive remuneration within the companies in the Selected Index for the financial year 2021, and the alignment between pay and performance. The composition of the boards has been assessed, and it has been confirmed that succession planning and board diversity remain priorities.

We wish you an interesting and insightful read.

Yours sincerely,



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Key findings

Results of the 2022 annual general meeting

- A decrease in the number of remuneration related items on the agendas of the 2022 AGMs was observed compared to the years 2020-2021. Yet, the number of items related to pay remains higher than in the period preceding the introduction of ‘say on pay’ by the revised Shareholder Rights Directive (so-called SRD II). This suggests that the scrutiny of shareholders and investors on executive pay is here to stay.
- The data reveals that shareholders’ acceptance of remuneration related items has decreased since the introduction of shareholders’ say on pay by SRD II. This trend confirms an increased scrutiny of companies’ pay practices.
- Only 50% of the companies in the Selected Index have shareholder acceptance of 90% or more on their remuneration policy and/or remuneration report.
- In 19% of companies in the Selected Index 20% or more of shareholders’ votes were cast against the remuneration items on their agenda during the 2022 AGM.
- Companies should revise their remuneration policy when a significant proportion of votes has been cast against the remuneration policy and/or the remuneration report. Glass Lewis’ continental European guidelines define significant as 20% or more of the minority shareholders voting against.
- An open and transparent dialogue with shareholders on remuneration and governance is key for identifying the reasons for the dissenting votes and determining relevant actions.

Executive compensation

- The average amount of long-term incentive (LTI) realised by the CEO within the companies in the Selected Index significantly decreased for the financial year 2021, compared to 2020; however, the average amount of LTI granted in 2021 is over EUR 1.6 million.
- As was the case last year, the breakdown of CEO pay components based on median figures revealed that again the median of realised LTI is actually null. Many CEOs did not realise any LTI, but the average figure for 2021 is impacted by the outliers that did.
- In most cases, the award of STI or LTI is expected to be determined as a percentage of the base salary in the year of granting. On average, the STI awards granted were approximately equal to the base salary of the CEO in 2021, while the LTI granted represented more than twice the base salary. When expressed as compensation realised, both STI and LTI paid or vested in 2021 represented an amount equal to the base salary of the CEO.
- While the proportion of LTI realised reached 70% of the CEO pay package in financial year 2020, it was more equally distributed between base salary, STI realised and LTI realised in 2021 (each element representing one third of the total CEO package). For companies operating in the banking and insurance sectors, the base salary still represents a higher proportion (i.e. ~70%) of the CEO package due to the remuneration requirements applicable in those sectors.
- As in previous years, financial key performance indicators (KPIs) represent on average at least two thirds of the weighting criteria for STI and LTI plans.
- Listed companies are required to disclose how the financial and non-financial KPIs used to assess performance support their sustainability goals and long-term value creation. A key question for companies is how to define an appropriate balance between financial and non-financial KPIs in their respective short/long-term incentive plans.
- The data from 2021 suggests that the evolution of CEO pay is lagging roughly a year behind the evolution of the total shareholder return (TSR).

Key findings

ESG

- The Council and the European Parliament reached a political agreement on the Corporate Sustainability Reporting Directive (CSRD) amending the existing reporting requirements of the Non-Financial Reporting Directive (NFRD). The final publication in the Official Journal is expected before the end of 2022. Member States will have 18 months to transpose it and the European Commission should adopt the reporting standard by end June 2023.
- There is a consensus between investors and senior leaders on linking ESG to pay, even though they differ in their views on ESG priorities.
- The data suggests that tying executive pay to ESG goals increases shareholder value.
- As in previous years, performance is still measured largely against financial criteria. We observe a shift from integrating ESG KPIs into STI (in 2020) and into LTI (2021-2022). Most companies did link it to all types of plans.
- The social aspect of ESG is highly important to companies. KPIs related to social aspects are among those most frequently used, which is in line with the observation of our previous reports. However, the weighting of social indicators is less important than the other factors.

Diversity in the board

- Board composition is increasingly under scrutiny by investors, regulators and others in the governance community. Many investors and other stakeholders want more information about a company's director nominees. Attention is also paid to director tenure, board diversity, and the results of board self-evaluations.
- Directors recognise the need for supporting measures to increase diversity in the boardroom.
- The European Commission has presented objectives for a gender-equal Europe in its Gender Equality Strategy 2020-2025. As part of this, a proposal for a directive on pay transparency measures was presented with the aim of reducing the gender pay gap.
- The CSRD will require companies to report on how sustainability issues affect their business and the impact of their activities on people and the environment. In this respect, the new standards cover ESG aspects such as (non-exhaustive list): equal opportunities for all, equality at work, a diverse and inclusive workplace, working conditions incl. work-life balance and wellbeing.
- The Women on Boards Directive aims to boost gender balance in EU listed companies.

  The Directive will oblige companies to set a 40% target for the underrepresented sex among the non-executive positions by 2026. Member States may also apply the rules to executive directors, in which case the target would be 33%. Enforcement mechanisms are foreseen.
- On average in the companies of the Selected Index, the representation of women in Belgian boards reaches 38% while it is only 22% in Luxembourg boards.
- Similar to the observations in previous years, the average age of board members of the Selected Index is approaching 60 in every sector, confirming the need for succession planning at board level.
- As was the case last year, the most represented nationality in the boards of the Selected Index is Belgian. The observed lack of diversity based on an analysis of nationalities on boards gives us an indicator that the Selected Index may not have achieved racial and ethnic diversity. At the same time, PwC's 2022 annual Corporate Directors Survey revealed that diversity in terms of race and ethnicity is highly valued to create diverse thoughts in boards.
- The data suggests that technology expertise is gaining importance in the boardroom. However, having a broad range of skills represented in the board is the most important.
- Director overboarding is a particular concern among investors. Investors recommend voting against a candidate who already holds an excessive number of board mandates.

Survey information and definitions

This survey includes data from companies that are based or headquartered in either Belgium or Luxembourg and whose shares are admitted to trading on a regulated market. The sample (hereinafter 'Selected Index') comprises listed companies of the BEL20, Euronext Brussels or LuxX indices based on the composition of these indices as of 29 April 2022. The Selected Index also comprises some companies of other indices and companies that are no longer listed (or have changed indices) but which still publicly disclose the information as for listed companies.

Company name	Location
Ackermans & Van Haaren N.V.	Belgium
Aedifica S.A.	Belgium
Ageas S.A./N.V.	Belgium
Anheuser-Busch InBev S.A./N.V.	Belgium
argenx SE[1]	Belgium
Barco N.V.	Belgium
Befimmo S.A.	Belgium
BNP Paribas Fortis S.A./N.V.	Belgium
bpost S.A./N.V.	Belgium
Cofinimmo S.A.	Belgium
Dexia S.A.	Belgium
D'Ieteren Group S.A.	Belgium
Elia Group S.A.	Belgium
Etn. Fr. Colruyt N.V.	Belgium
Fagron N.V.	Belgium
Galapagos N.V.	Belgium
Groupe Bruxelles Lambert S.A.	Belgium
KBC Group N.V.	Belgium
Melexis N.V.	Belgium
N.V. Bekaert S.A.	Belgium
Ontex Group N.V.	Belgium
Orange Belgium S.A.	Belgium
Proximus PLC	Belgium
Sofina Société Anonyme	Belgium
Solvay S.A.	Belgium
Telenet Group Holding N.V.	Belgium
UCB S.A.	Belgium
Umicore S.A.	Belgium
Warehouses De Pauw Comm.	Belgium

Company name	Location
Adler Group S.A.	Luxembourg
Altisource Portfolio Solutions S.A.	Luxembourg
Aperam S.A.	Luxembourg
ArcelorMittal S.A	Luxembourg
Ardagh Group S.A.	Luxembourg
Aroundtown S.A.	Luxembourg
B&M European Value Retail S.A.	Luxembourg
B&S Group S.A.	Luxembourg
BBGI Global Infrastructure S.A.	Luxembourg
Befesa S.A.	Luxembourg
Brederode S.A.	Luxembourg
CORESTATE Capital Holding S.A.	Luxembourg
Eurofins Scientific SE	Luxembourg
Grand City Properties S.A.	Luxembourg
InPost S.A.	Luxembourg
Intelsat S.A.	Luxembourg
Luxempart S.A.	Luxembourg
Reinet Investments S.C.A.	Luxembourg
RTL Group S.A.	Luxembourg
SES S.A.	Luxembourg
Shurgard Self Storage S.A.	Luxembourg
Socfinaf S.A.	Luxembourg
Socfinasia S.A.	Luxembourg
Solutions 30 SE	Luxembourg
Stabilus S.A.	Luxembourg
Tenaris S.A.	Luxembourg

[1] Argenx SE is headquartered in the Netherlands. However, it is included in the Selected Index as it is part of the BEL20 index.

The data included in this survey is information publicly disclosed in the annual reports and remuneration reports of the companies in the Selected Index. The remuneration information for any given financial year is drawn from the corresponding annual report and remuneration report of that year. In this respect, when referring to the 2021 financial year, reference is made to companies ending their financial year on a date after 31 March 2021 or on 31 March 2022. The voting information relates to the annual general meeting (AGM) that took place in 2022.

Please note that all amounts in this report are expressed in euro and refer to gross amounts. Further, the following definitions are consistently applied in this publication.

Base salary: Base salary is the actual annual cash base salary received in the year of statement, excluding benefits, pension contributions and other compensation.

Short-term incentives (STI): All cash and equity-based payments accruing to an individual over a period of maximum 12 months. A distinction is made between STI granted (i.e. awarded in the financial year under consideration) and STI realised (paid out in the financial year under consideration if it concerns a cash settlement, or vested/exercised during the financial year for equity-based remuneration).

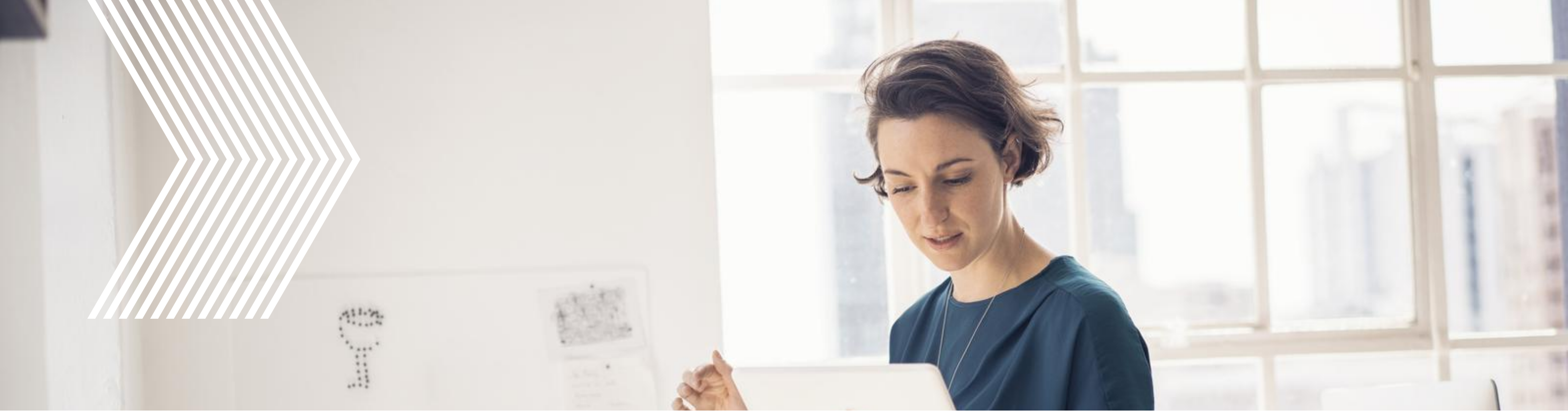
Long-term incentives (LTI): All cash and equity-based payments accruing to an individual over a period greater than 12 months. A distinction is made between LTI granted (i.e. awarded in the financial year under consideration) and LTI realised (paid out in the financial year under consideration if it concerns a cash settlement, or vested/exercised during the financial year for equity-based remuneration).

Total granted compensation (TGC): The granted compensation is defined as the sum of the total direct compensation and total indirect compensation granted in the year of statement for one year.

- Total direct compensation: base salary + benefits + other compensation + annual bonus + deferred cash grants + share grants[2] + option grants [3]
- Total indirect compensation: pension contribution + severance payments.

[2] Computation: the number of deferred shares earned multiplied by the price per share.

[3] The computation is based on the Black-Scholes option valuation methodology, for which the inputs are derived from the company annual report. The calculation is based on the date of grant or, if not available, on calendar year-end figures.



Total realised compensation (TRC): The total realised compensation is the sum of the base salary, STI realised, LTI realised, pension benefits and other compensation components.

Computation: base salary + benefits + other compensation + annual bonus + cash vested + value of performance/restricted shares vested + value of performance/restricted options exercised.

Cash or shares vested means vested during a specific financial year. The value of vested shares is calculated based on the share price at vesting date, or if not available, the calendar year-end share price. The value of options exercised is calculated by subtracting the exercise price from the share price at date of exercise, or if not available, the share price at calendar year-end.

The compensation realised is calculated based on performance indicators that have been met during the performance period. Most companies disclose the performance period and vesting period and the percentage that will be paid in the next year. For example, for shares that vested on 31 March 2022, but where the performance period ended on 31 December 2021, these shares are included in the compensation realised for financial year 2021.

Severance payments: Severance payment is defined as the compensation provided to directors who leave the company.

Total shareholder return (TSR): the total return of a stock to an investor. It combines the annual change in share price (adjusted share price) and dividends paid, and is expressed as an annualised percentage.

Lower quartile (25th percentile): 75% of the population in scope earn more, and 25% earn less than this level.

Median (50th percentile): 50% of the population in scope earn more, and 50% earn less than this level.

Upper quartile (75th percentile): 25% of the population in scope earn more, and 75% earn less than this level.

In this publication, the statutory positions of chief executive officer (CEO), chief financial officer (CFO) and other executive or non-executive director (OED and ONED respectively) were analysed. Only the key findings have been published. Other potentially interesting indicators of executive and non-executive remuneration can be made available via your contact at PwC.

Analysis of the 2022 annual general meeting results

Remuneration related items

From within the sample of 55 companies (the 'Selected Index'), a few companies had not yet disclosed the results of their AGMs on their websites at the time of the preparation of this report. The companies in question were: Ageas S.A./N.V., Ardagh Group S.A., BNP Paribas Fortis S.A./N.V., B&M European Value Retail S.A., Etn. Fr. Colruyt N.V., Intelsat S.A. and Reinet Investments S.C.A. In addition, five companies have no remuneration related items in their reports: Aroundtown S.A., B&S Group S.A., BBGI Global Infrastructure S.A., Dexia S.A. and Stabilus S.A.

In Belgium, the annual general meeting (AGM) should be held - in principle in the form of a physical meeting - within six months of the closing of the financial year at the place, date and time indicated in the company's articles of association. For companies closing the financial year on 31 December, most AGMs take place between April and June. The Act of 20 December 2020 introduced flexibility in allowing the company's board of directors to organise the participation of shareholders in the AGM remotely through an electronic means of communication [4].

AGM results

In this section, the terms 'remuneration items' or 'remuneration related items' refer to both the shareholders' vote on remuneration policy and the remuneration report. It is worth noting that when the shareholders cast separate votes on the remuneration policy and the remuneration report at the 2022 AGM, the results of the votes have been aggregated in the graphs shown in this section.

Remuneration items on the agenda

Interestingly, the number of remuneration items on the agenda in 2022 decreased compared to the years 2020 and 2021. However, the number of remuneration items still remains higher than in the period preceding the introduction of the say on pay by the revised Shareholder Rights Directive (so-called SRD II). This suggests that the scrutiny of shareholders and investors of executive pay is here to stay.

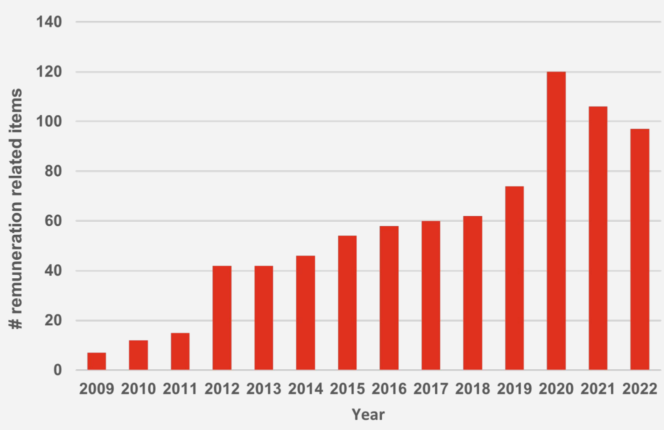
The vote on the remuneration reports of Belgian listed companies remains advisory. However, SRD II sets out enhanced disclosure and content requirements.

These requirements deal particularly with the disclosure of compensation of all directors on an individual basis, and the comparison of directors' pay changes with the evolution of employees' remuneration on a full-time equivalent basis during at least the last five financial years (i.e. a kind of 'pay equity assessment'). Companies are also required to explain how the previous shareholder vote has been taken into account, and how pay aligns with company performance.

The Corporate Governance Committee released an explanatory note on the remuneration report [5], which establishes guidance to assist listed companies in the application of the remuneration report regulations resulting from article 3:6, §3 of the Belgian Code on Companies and Associations.

The data from the sample suggests that most resolutions on remuneration items are submitted to vote during ordinary general meetings, with the exception of certain items being discussed at extraordinary general meetings.

Number of remuneration related items (2022)



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[4] Articles 5:89; 6:75; 7:137; 9:16/1; and 10:7/1 of the Belgian Code on Companies and Associations.

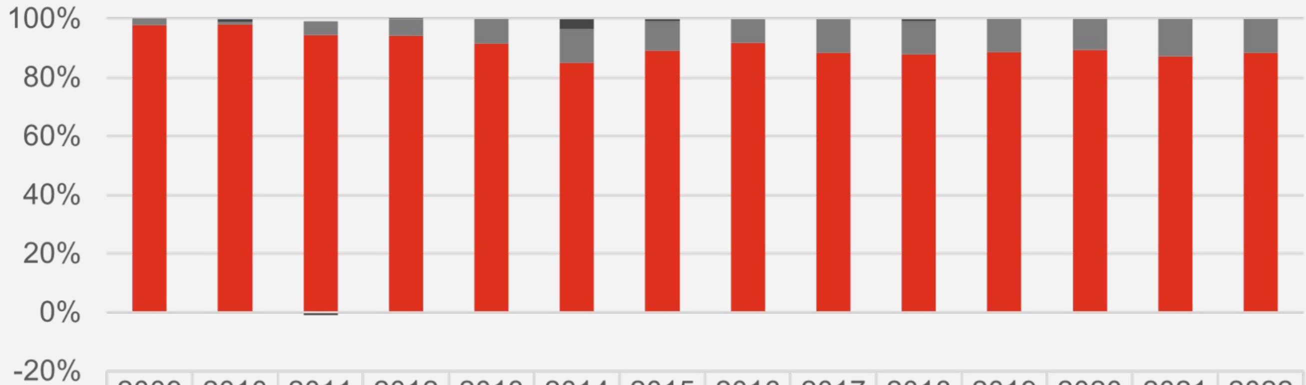
[5] The explanatory note can be found here: https://www.corporategovernancecommittee.be/en/explanatory-notes-2020-code/explanatory-note-remuneration-report

Shareholder dissent in 2022

Here shareholder dissent refers to companies in which remuneration related resolution items are presented at the AGM and meet with more than 10% of votes being cast against them.

The evolution of the proportion of votes for, against and abstentions on remuneration items at AGMs is represented in the following two graphs for Belgian and Luxembourg listed companies of the Selected Index.

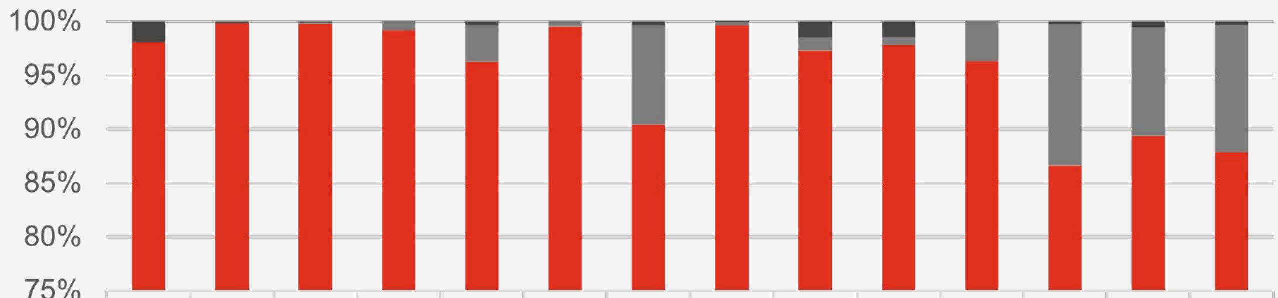
Proportion of for/ against/ abstain votes on remuneration items (Belgium)



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
% abstain	0%	1%	-1%	0%	0%	4%	1%	0%	0%	1%	0%	0%	0%	0%
% against	2%	1%	5%	6%	8%	11%	10%	8%	11%	11%	11%	10%	12%	11%
% for	98%	98%	96%	94%	92%	85%	89%	92%	89%	88%	89%	89%	87%	88%

% for   % against   % abstain

Proportion of for/ against/ abstain votes on remuneration items (Luxembourg)



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
% abstain	2%	0%	0%	0%	0%	0%	0%	0%	2%	1%	0%	0%	1%	0%
% against	0%	0%	0%	1%	3%	0%	9%	0%	1%	1%	4%	13%	10%	12%
% for	98%	100%	100%	99%	96%	100%	90%	100%	97%	98%	96%	87%	89%	88%

% for   % against   % abstain

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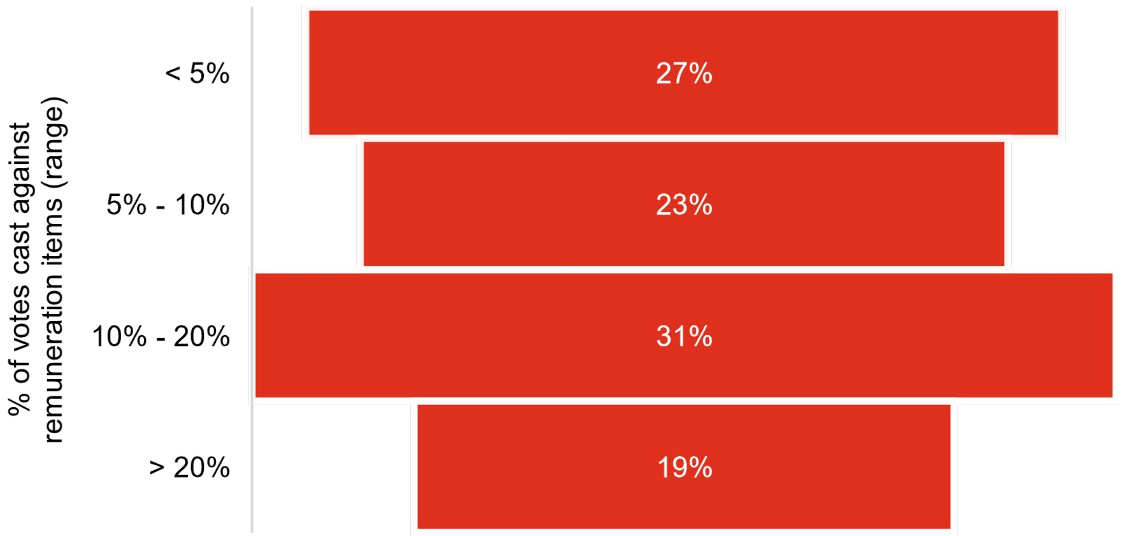
Based on the sample surveyed, the data reveal that shareholders' approval of remuneration related items was high in Luxembourg until the implementation of SRD II in 2020. We observe that the proportion of votes against remuneration items increased from 2020 for Luxembourg listed companies, while it remained relatively stable for Belgian listed companies despite the increase in the number of remuneration items submitted to the vote.

While the above graphs illustrate the average percentage of votes for or against and the abstentions for Belgium or Luxembourg, the following graph illustrates the proportion of companies in the sample that experienced a given percentage of votes cast against remuneration related items, ranging from less than 5% of votes cast against up to more than 20%. In a sample of 26 companies (i.e. Belgian index), it was observed that 19% of the sample registered more than 20% of votes cast against their remuneration related items at the agenda, while 31% of the sample had between 10% and 20% votes against. So only half of the companies in the sample obtained shareholder acceptance of greater than 90% on their remuneration resolutions.

2022 – % of companies vs. votes cast against remuneration items at the 2022 AGM (Belgium)



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What if shareholders' acceptance of the company's remuneration policy and/or remuneration report is poor? How should boards address shareholders' negative feedback?

Dissent around the remuneration policy

The remuneration policy needs to be approved by shareholders at the general shareholders meeting at least once every four years or on the occasion of every material change to the policy. As the vote is binding, directors can only receive remuneration in accordance with the company's approved remuneration policy.

The 2020 Code on Corporate Governance for listed Belgian companies states that the company should consider adapting its remuneration policy when a significant proportion of votes are cast against the remuneration policy at the AGM (principle 7.3). The term "significant" is however not further clarified. According to Glass Lewis, actions need to be taken to address shareholders' concerns when 20% or more of the votes cast by minority shareholders were not in favour of the proposed policy.

Dissent around the remuneration report

The remuneration report provides an overview of the remuneration effectively paid in the course of the previous year. By way of their advisory votes, shareholders are given the opportunity to provide their feedback on the appropriateness of remuneration arrangements made for directors and on the level of transparency in the remuneration report.

While there are currently no precise guidelines on the way companies should react to shareholder dissent around the remuneration report, it is worth bearing in mind that it still signals shareholder disagreement with the company's pay practices. It is therefore not advisable to ignore it. Not only can it be seen as weak governance on matters related to pay and damage the company's performance, but inaction may also have an impact on the way in which shareholders vote on other matters.

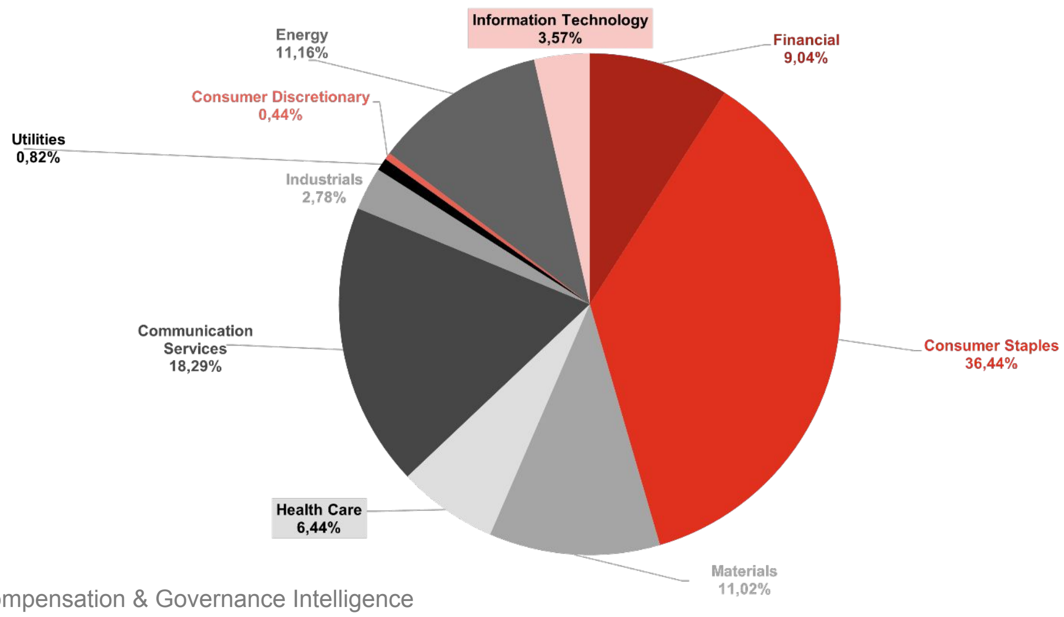
In addition, Belgian listed companies are required to explain how shareholder votes and feedback on the remuneration policy and the remuneration report have been taken into account when a revised remuneration policy is presented for voting at the AGM (art. 7:89/1, §2, 7° of the Belgian Code on Companies and Associations). A high level of shareholder acceptance is thus helpful in this context.

An open and transparent dialogue with shareholders on remuneration and governance is key to identifying the reasons for the dissent and determining relevant actions.

The following pie chart shows all votes against remuneration related items broken down by activity sector. Similar to last year, companies operating in the consumer staples, communication services and energy sectors were subject to the highest levels of shareholder dissent.

Last year, companies operating in the financial sector faced the highest dissent of shareholders. The data of 2022 suggests that companies in the financial sector were less subject to shareholder dissent this year.

Proportion of total votes against on remuneration items per sector (2022)



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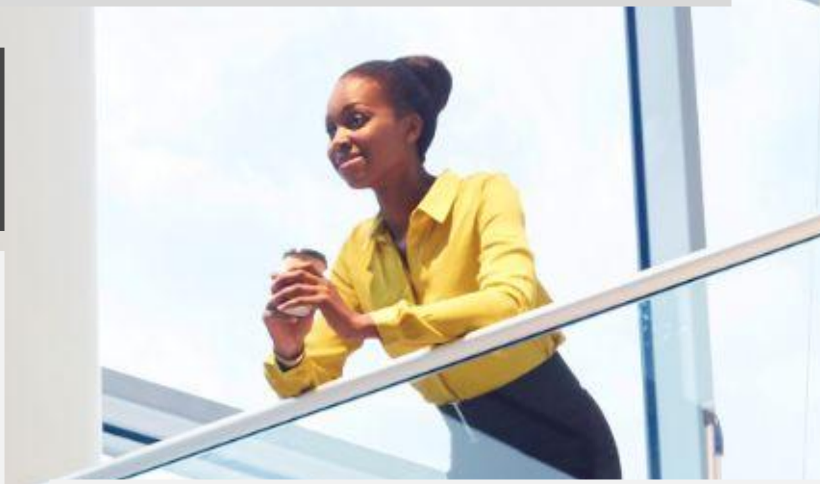
Companies active in the consumer staples sector are Anheuser-Busch InBev S.A./N.V., Etn. Fr. Colruyt N.V., Ontex Group N.V., Socfinaf S.A. and Socfinasia S.A. Companies active in the communication services sector are Intelsat S.A., Orange Belgium S.A., Proximus PLC, RTL Group S.A., SES S.A. and Telenet Group Holding N.V. Note that the energy sector is only represented by Tenaris S.A

In this pie chart, the financial sector includes the following industries: banking, capital markets, diversified financial services, insurance and real estate.

Executive remuneration

Compensation design

Disclaimer: At the time of writing, the CEO compensation information was not available or not yet disclosed for the following companies: Ardagh Group S.A.; Reinet Investments S.C.A.; Socfinaf S.A.; Socfinasia S.A.



CEO pay components

CEO pay is usually composed of a mix of base pay, bonuses (short-term incentives), long-term incentives, benefits (e.g. pension plan) and perquisites (e.g. company car, smartphone). The graph below shows the average amounts allocated to the different elements of CEO compensation for the Selected Index in 2021 compared to 2020[6].

The most noteworthy difference in 2021 compared to 2020 is that the average amount of LTI realised dropped significantly to an average of €761.157,00 in 2021 (versus an average exceeding €3 million in 2020). “Realised” STI/LTI refers to all realised components of compensation in the year of interest, including annual cash bonus, exercised cash from STI/LTI plans, value of performance or restricted shares vested, or value of performance or restricted options exercised. Note that STI refers to annual bonus as well as compensation packages that have a one-year performance plan. In instances where there is a deferral component in the annual bonus, the deferred component is still counted as STI. The LTI plans are the ones with a performance period over a longer horizon (exceeding one year). LTI includes cash, shares and options plans.

In 2020, the significant amount of LTI realised on average was largely explained by three CEOs of the Selected Index that exercised options for a value exceeding €10 million each. When removing the three outliers from the sample, the average realised LTI in 2020 falls to €440.662,00. However, the median LTI realised was null considering that many CEOs of the sample did not realise any LTI in 2020.

The data for financial year 2021 displayed an average value of realised LTI of €761.157,00. Only one CEO of the sample exercised stock options for a value exceeding €10 million. When removing this outlier from the sample, the average realised LTI in 2021 falls closer to the average value of 2020. As last year, the median of LTI realised is null as many CEOs of the sample did not realise any LTI in 2021.

While the average base salary and the average realised STI significantly decreased in 2020 compared to 2019 as a direct impact of the pandemic, we can notice that these components reached higher amounts in 2021 compared to their pre-pandemic level.

6 The data of 2020 and 2021 are sourced from the publicly available information of the Selected Index, as indicated in this report. Please note that the composition of the Selected Index may vary from one year to another, explaining any discrepancy in the figures when comparing graphs of last year’s report and this year’s report.

Average CEO pay components for 2021

	Base Salary	STI Realised	LTI Realised	Pension	Other
Amounts (EUR)	721 460	693 535	761 157	108 618	94 842

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Average CEO pay components for 2020

	Base Salary	STI Realised	LTI Realised	Pension	Other
Series 1	673 780	602 046	3 327 970	139 595	109 496

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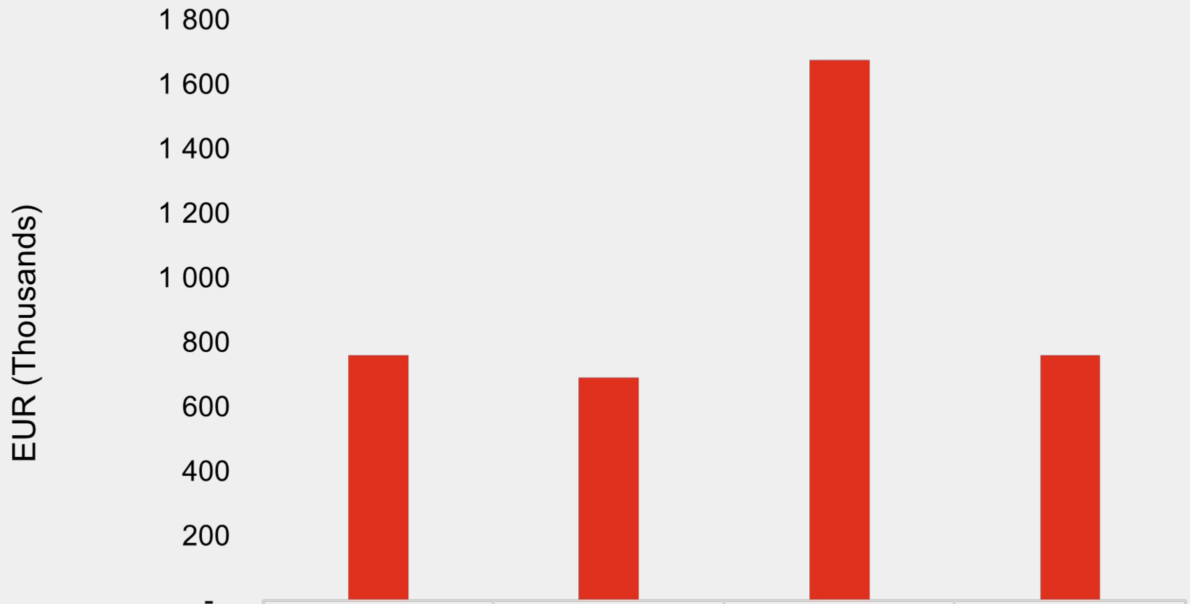
The next graph shows the average STI granted and LTI granted in 2021 in comparison to the STI realised and LTI realised in the same year. STI/LTI granted includes annual bonus received in the year of statement, deferred cash grants (earned annual bonus in year of statement, where the actual receipt of the cash is deferred to a date after the year of statement), share grants (value of shares earned in year of statement, where the actual receipt of shares is deferred to a date after the year of statement) and option grants (value of performance options and restricted options granted in the year of statement based on the Black-Sholes option valuation methodology).

It is worth noting that while the amount of LTI realised dropped significantly in 2021, the average value of LTI granted in 2021 is over 1.6 million euro.

Average STI and LTI granted vs realised for 2021



	STI Granted	STI Realised	LTI Granted	LTI Realised
Amounts (EUR)	762 600	693 535	1675 930	761 157

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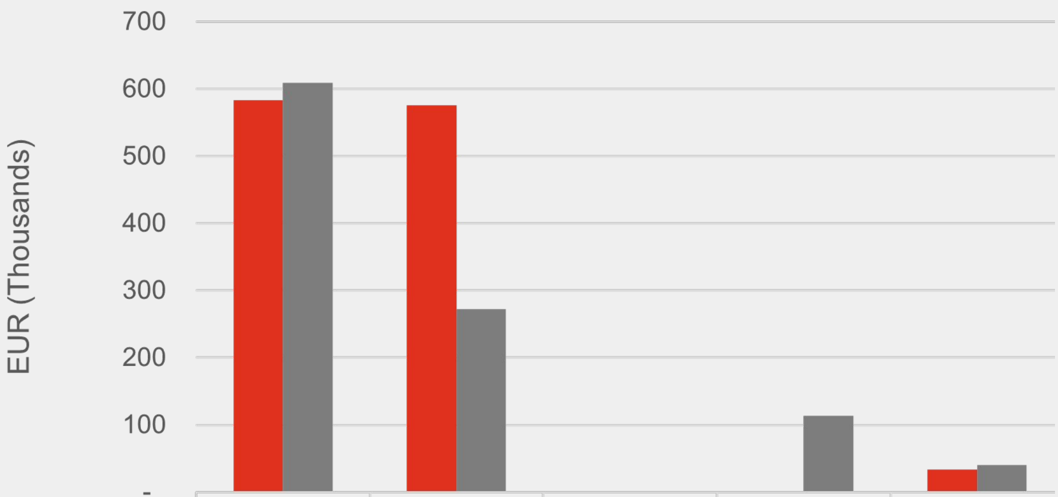
When looking at the median CEO pay components, the results are drastically different, especially with respect to the LTI realised. As was the case last year, the median realised LTI is null in 2021 given that many CEOs of the sample did not realise any LTI in 2021. The median STI realised is also much lower than the average one, especially for Belgian companies.

Median CEO pay components for 2021



	Base Salary	STI Realised	LTI Realised	Pension	Other
Luxembourg	583 491	576 000	-	-	33 413
Belgium	608 571	272 282	-	113 730	39 748

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In most cases, the awarding of STI or LTI is expected to be determined as a percentage of the base salary in the year of granting. On average, the STI granted was approximately equal to the CEO base salary (106%) in 2021, while the LTI granted was more than double (232%). When expressed as compensation realised, both STI and LTI paid or vested in 2021 were also roughly equal to the base salary (respectively 96% and 106%).

Year 2021	STI granted	STI realised	LTI granted	LTI realised
% CEO Base Salary (average)	106%	96%	232%	106%

The remuneration package of an executive should reflect the responsibilities and the complexity inherent in the position and be competitive in comparison to other similar positions in the market. The following table provides an overview of the trends observed per quartile in 2021. As in previous years, the data seem to confirm that CEO pay is mainly driven by market cap and the size of the company. This is logical, as both often imply larger responsibilities and a higher level of complexity.

Based on the figures from the tables below, we notice an increase in market capitalisation, number of employees (for most quartiles), revenue, net income and total shareholder value. Only the asset base decreased in 2021 compared to 2020, except for the median. Those indicators suggest a better situation than in 2020. The granted pay follows the same trend, being higher in 2021 compared to 2020 (except in the upper quartile). The total CEO realised pay is lower in 2021 in the upper quartiles.

2020	Market Cap in EUR	Employees in #	Revenue in EUR	Asset base in %	Net income in EUR	TSR in EUR	CEO granted pay in EUR	CEO realised pay in EUR
25%	1,388	757	332	1,778	1	-21%	953,720	950,753
50%	3,308	2,750	1,492	4,925	115	-8%	1,611,716	1,362,758
75%	7,501	16,443	5,201	12,093	332	9%	3,500,702	2,918,544
90%	12,477	33,454	8,931	56,261	738	27%	6,472,415	6,589,782
Average	7,020	15,306	4,328	26,841	187	-5%	2,629,681	4,945,476
2021	Market Cap in EUR	Employees in #	Revenue in EUR	Asset base in %	Net income in EUR	TSR in EUR	CEO granted pay in EUR	CEO realised pay in EUR
25%	1,498	800	527	1,662	31	-6%	993,246	954,944
50%	4,172	2,394	1,785	5,115	298	10%	1,902,325	1,474,200
75%	8,475	18,587	5,517	11,398	628	36%	3,020,681	2,765,169
90%	16,085	32,918	9,478	43,060	1,165	52%	7,154,431	5,824,545
Average	8,118	16,307	5,235	25,789	660	14%	3,379,173	2,392,144

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[7] The data of 2021 and 2020 are sourced from the publicly available information of the Selected Index, as indicated in this report. This explains the discrepancy of the 2020 figures if the reader compares it with the one of the 2021 report, as the composition of the Selected Index may vary from one year to another.

Evolution of base salary, STI and LTI

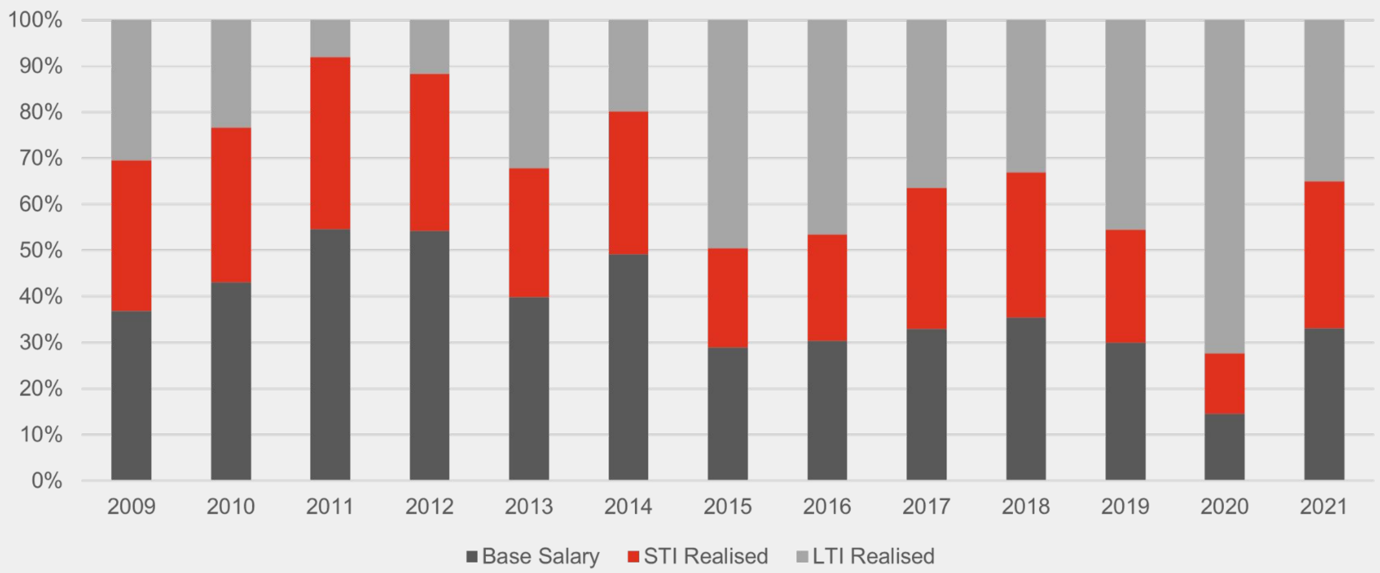
Executive remuneration is usually composed of a mix of fixed and variable pay components. The fixed part includes the base salary, pension benefits and other benefits (company car, health plan, etc.). The variable part comprises short-term incentive (STI) and long-term incentive (LTI). The latter are meant to support the company's sustainability and long-term performance.

Over the past few years, the figures show a focus on sustainable and long-term value creation (reflected in the growing importance of LTI and the relative decline in importance of STI). This tendency was especially accentuated in 2020, where LTIs represented more than 70% of the total direct compensation (excluding benefits), compared to STIs making up approximately 13%.

Yet the tendency seems to be reversing in 2021 and resembles the situation in 2018, where LTI and STI composed each one third of the total direct compensation of CEOs. This observation should however be nuanced as the LTI granted continued to increase in 2021 as investors call for greater focus on long-term goals tied to executives' remuneration.

In Belgium, no cap on the variable part of the remuneration is set out in the Belgian Code on Companies and Associations. The 2020 Belgian Corporate Governance Code does, however, provide for such a cap on STIs, reinforcing the tendency for variable pay to be made up mostly of LTI.

Evolution of base salary, STI and LTI realised (2009-2021) – all sectors



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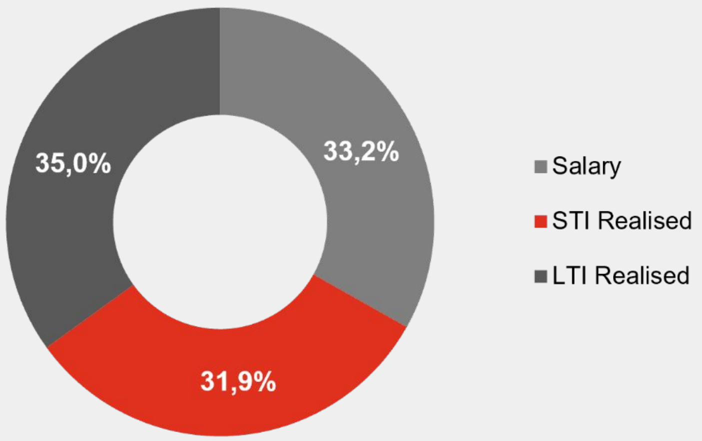
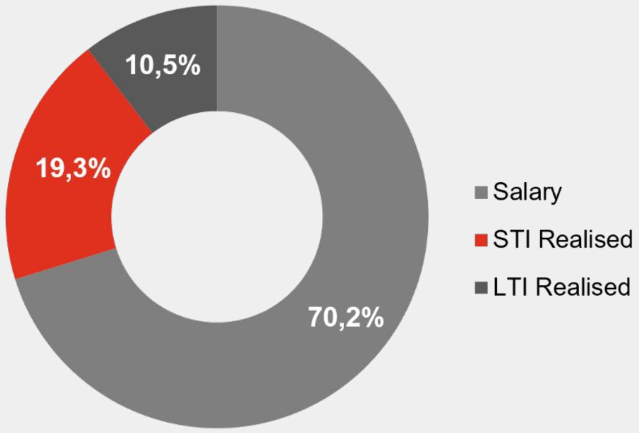
Companies operating in the bank and insurance sector are subject to additional restrictions on remuneration of 'identified staff' - staff whose professional activities have a material impact on the company's risk profile - prohibiting excessive variable pay. The philosophy behind these restrictions is that the share of the fixed or guaranteed component in the overall remuneration package should be enough to avoid staff being too dependent on the variable component and avoid rewarding overly risky behaviours which exceed the company's risk appetite. The remuneration policy should enable the company to operate an entirely flexible bonus policy, including the option of not paying out any variable component at all. These policies result in a proportion of variable components that is lower than in other sectors, with a proportion of base salary in the CEO package that is significantly higher (see graphs below).

Proportion of base salary, STI and LTI (2021) – all sectors



Proportion of base salary, STI and LTI (2021) – Banks & Insurance



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* Companies included in the banks & insurance graph: Ageas S.A./N.V., Dexia S.A., KBC Group N.V., BNP Paribas Fortis S.A./N.V.

Incentive plans

Short-term and long-term incentives (STI/LTI)

In a context of a ‘war for talent’, highly competitive markets and evolving business models, remuneration incentives are still a key element in talent retention and a great instrument for the company to encourage its people to innovate and perform at their best, especially when used with higher-level profiles - individuals who are in a position to influence the company’s strategy. Equity-based incentive models allow companies to achieve these objectives in various ways.

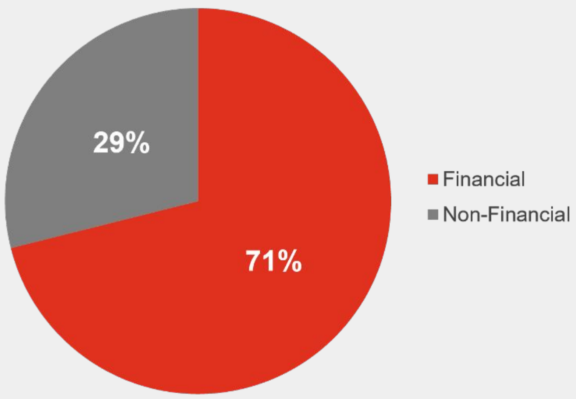
Vesting period of equity plans

As in previous years, market practice suggests a three-year vesting period. This is also the vesting period for shares provided for in Belgian company law[8]. Different vesting schedules over the three-year vesting period may be considered (e.g. ⅓ vesting each year; 50% in year one and 25% in years two and three, or vice versa).

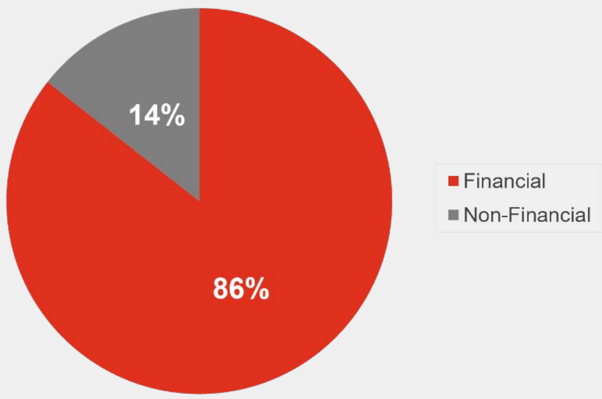
Key performance indicators (KPIs)

The proportion of financial and non-financial KPIs has been consistent in recent years. Financial KPIs still represent at least two thirds of the weighting for STI and LTI plans. For STI, financial KPIs represent 71% of the weighting, while they reach 86% for LTI.

Proportion of financial / non-financial KPIs for STI plans, 2021



Proportion of financial / non-financial KPIs for LTI plans, 2021



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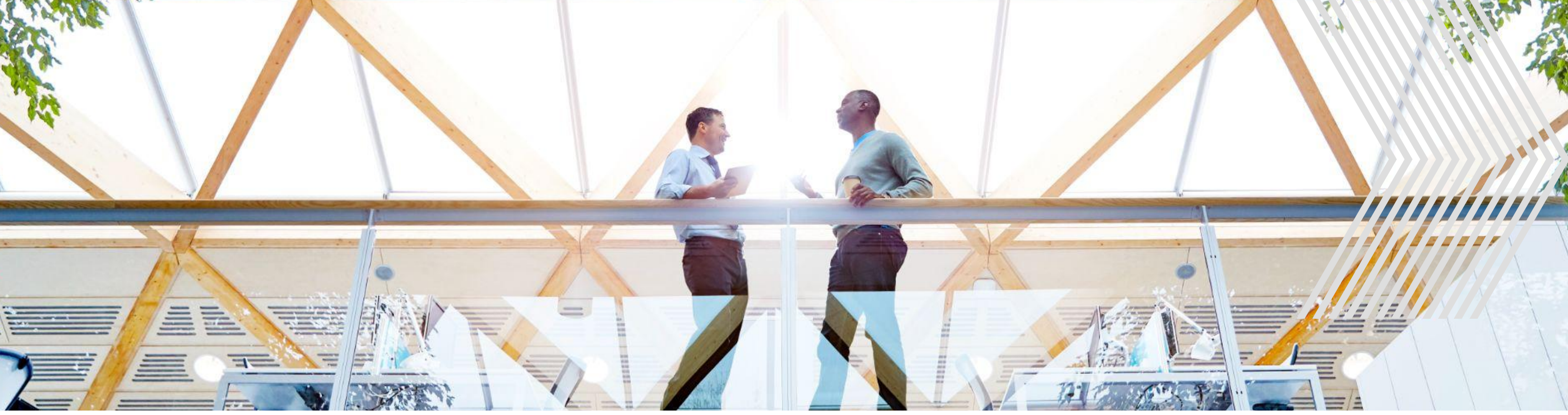
[8] Article 7:91 of the Belgian Code on Companies and Associations



The variable part of the executive remuneration package should be structured to link reward to overall corporate and individual performance, and to align the interests of the executives with the sustainable value creation objectives of the company. In accordance with article 7:89, §2, 3° a) of the Belgian Code on Companies and Associations, listed companies are required to disclose a.o. the financial and non-financial criteria - including criteria relating to the company's corporate social responsibility - used to assess performance in their remuneration policy.

The table below shows the most commonly used financial and non-financial KPIs for LTI within the companies of the Selected Index. These common KPIs are mostly unchanged from last year.

Top five KPIs for STI

Financial KPIs	Non-financial KPIs
1. (R)EBI(A)T(DA)	1. Operational objectives
2. General financial indicators	2. Qualitative targets
3. Cash Flow	3. Customer satisfaction
4. Revenue	4. Environment
5. Capital	5. Strategic objectives

Top five KPIs for LTI

Financial KPIs	Non-financial KPIs
1. TSR	1. Environment
2. EPS (earnings per share)	2. Individual performance
3. (R)EBI(A)T(DA)	3. Employee satisfaction
4. Cash flow	4. Corporate responsibility and governance
5. General financial indicators	5. Customer satisfaction

The purpose of the long-term incentive plan is to underpin a long-term action plan agreed to achieve long-term objectives (e.g. net zero by 2030). In general, the milestones and/or KPIs set out in the LTIP are measured on a yearly basis over a predetermined vesting period.

It is worth noting that individual performance still has a significant weighting when it comes to LTI since it comes consistently in second place over the last three years. We note however that employee satisfaction was in the fifth position in 2020 in the top five KPIs for STI, while it is not in the STI ranking in 2021. However, employee satisfaction has entered the ranking at the third position for the top 5 KPIs of LTI in 2021. It may suggest that companies place personal achievement at the top of their concerns, although the well-being of their employees remains a top priority. It can be reasonably assumed that this is in line with companies' goal to keep the right people over the long term.

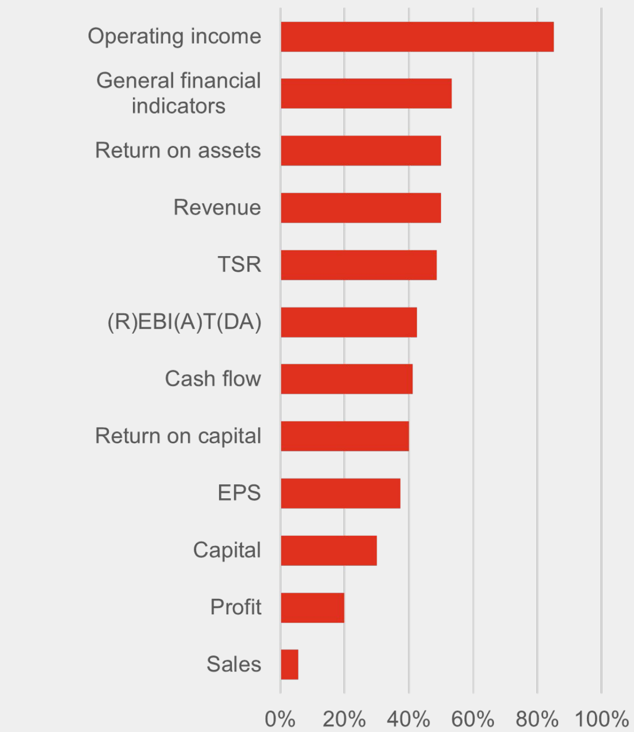
The 2022 PwC annual Corporate Directors Survey seems to confirm that observation as it observed an increasing support for workforce-related measures as non-financial metrics. More than half of directors surveyed (52%) support using diversity and inclusion (D&I) metrics, compared to just 39% in 2020. In particular, female directors are more in favour of D&I metrics (73%) compared to their male counterparts (45%). More directors also showed support for metrics related to employee engagement (57%, up from 54% in 2020) and succession planning (54%, up from 43% in 2020). Customer satisfaction is the most commonly supported measure by directors (62%), which is reflected in the below table on the weighting of KPIs showing that customer satisfaction ranked higher than employee satisfaction in terms of weighting.

Though the table above shows the most commonly used financial and non-financial KPIs for STI and LTI by companies in the Selected Index, the weighting of such KPIs based on the companies' remuneration policies may differ significantly. The following charts show the average weighting used for the KPIs within the companies of the Selected Index and is based on the average weightings the companies assign to them.

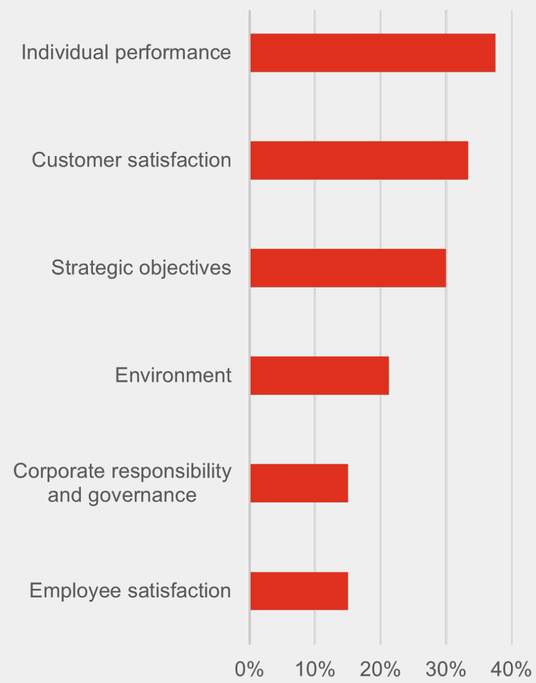
Financial KPIs average weighting for STI plans – 2022

Non-Financial KPIs average weighting for STI plans – 2022

Financial KPIs average weighting for LTI plans – 2022



Non-Financial KPIs average weighting for LTI plans – 2022



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Pay for Performance (P4P)

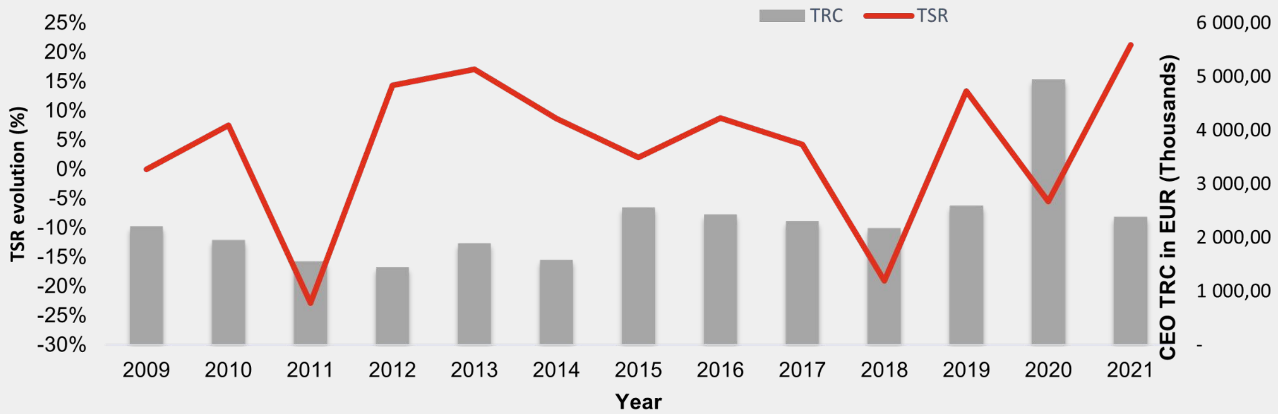
The graph below shows the evolution of total shareholder return (TSR) compared to the total realised compensation (TRC) of CEOs of the Belgian companies in the Selected Index. The TSR is defined as the total return of a stock to an investor. It combines annual changes in stock price and dividends paid and is expressed as an annualised percentage.

After a decline in 2020, the TSR rose again in 2021. CEO pay, however, seems not to immediately follow the evolution of the TSR performance but is lagging roughly a year behind the TSR for the last few years.

While in 2020 CEO TRC was high (EUR 4,9 million) with negative TSR evolution (-5%), the reverse situation was observed in 2021: CEO TRC halved (EUR 2,3 million) with positive TSR evolution (+21%).

This observation should be nuanced as the CEO pay of 2020 reflected the realisation of significant amounts of LTI in 2020 by certain outlier executives, while at the same time many companies decided not to pay out dividends in 2020 with a corresponding influence on TSR.

Pay vs TSR: Absolute Growth



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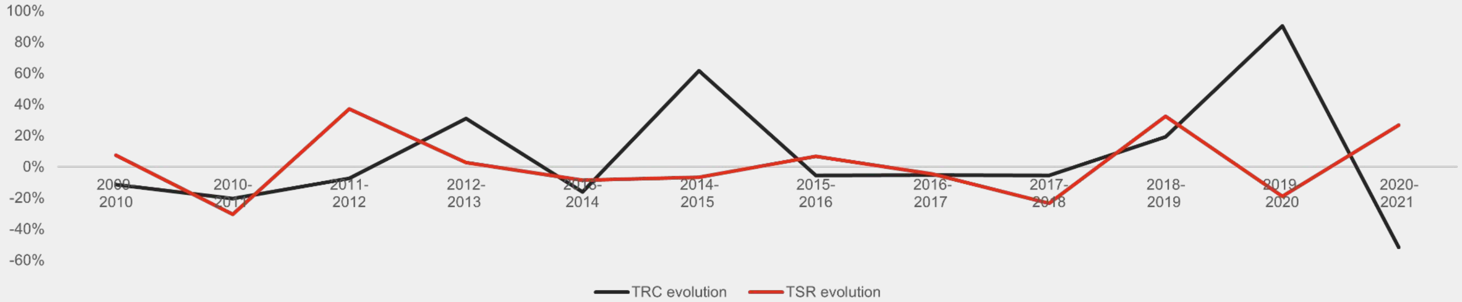
In terms of relative growth, the graph below shows the same tendency regarding the correlation of the evolution of the TRC compared to the TSR.

Pay vs TSR: Relative Growth



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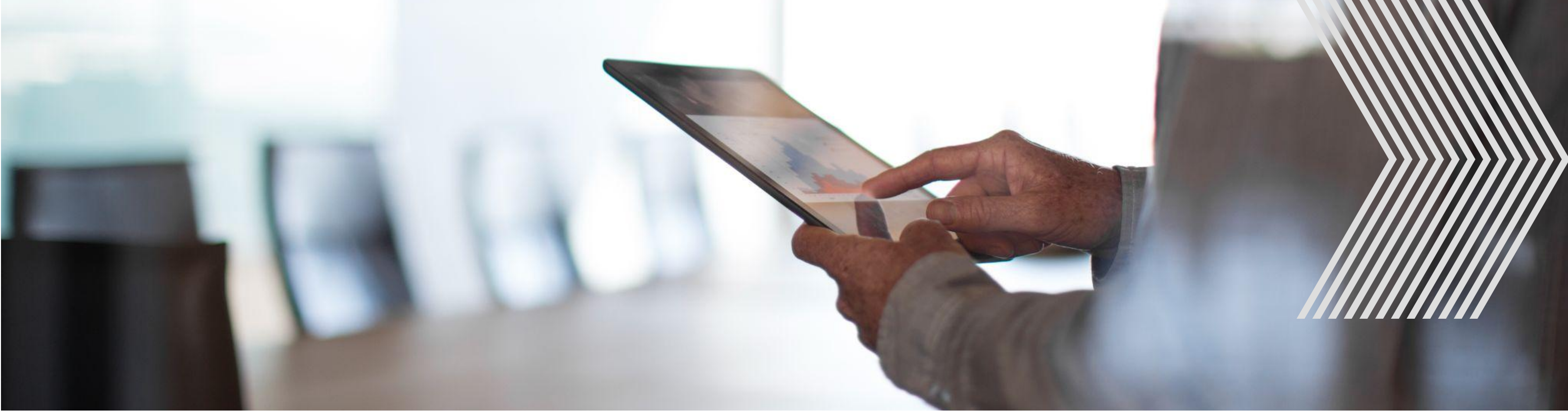


P4P alignment

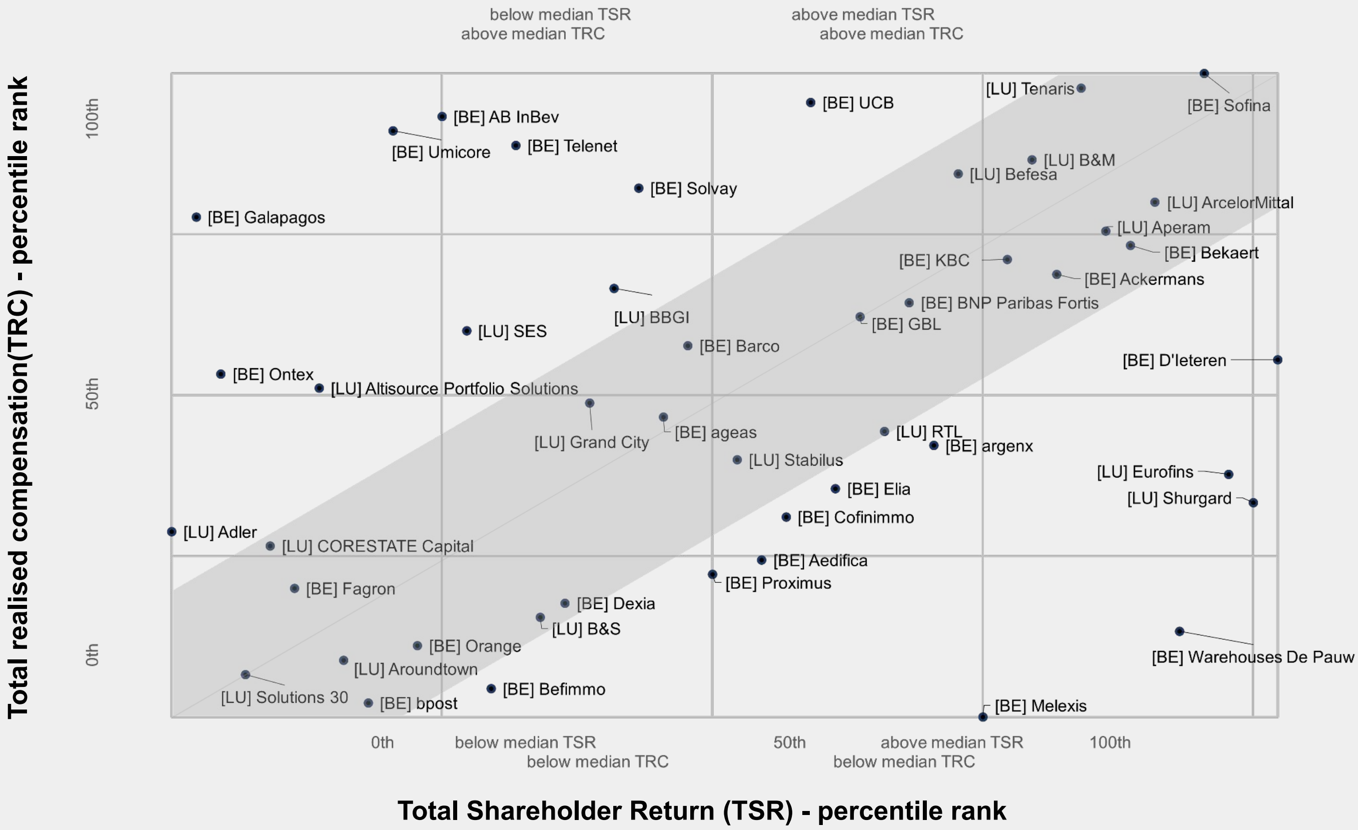
Diligent Compensation and Governance Intel (CGI) pay for performance analysis (P4P) includes all companies in the Selected Index except for Ardagh Group S.A., Brederode S.A., Etn. Fr. Colruyt N.V., InPost S.A., Intelsat S.A., Luxempart S.A., Reinet Investments S.C.A., Socfinaf S.A., Socfinasia S.A., as they have not disclosed performance or compensation data for the CEO position for all the years 2019-2021.

The charts below show the relative positioning of a company's[9] pay percentile ranking and TSR performance percentile ranking for the CEO versus a self - selected peer group or index. The companies plotted in the shaded grey area represent pay and performance alignment.

Pay for performance review: 2021

- Just over half of companies display good P4P alignment (52%)
- 24% of companies are conservative in their pay practices
- The remaining 24% display P4P misalignment

2021 Pay for Performance alignment CEO TRC vs TSR



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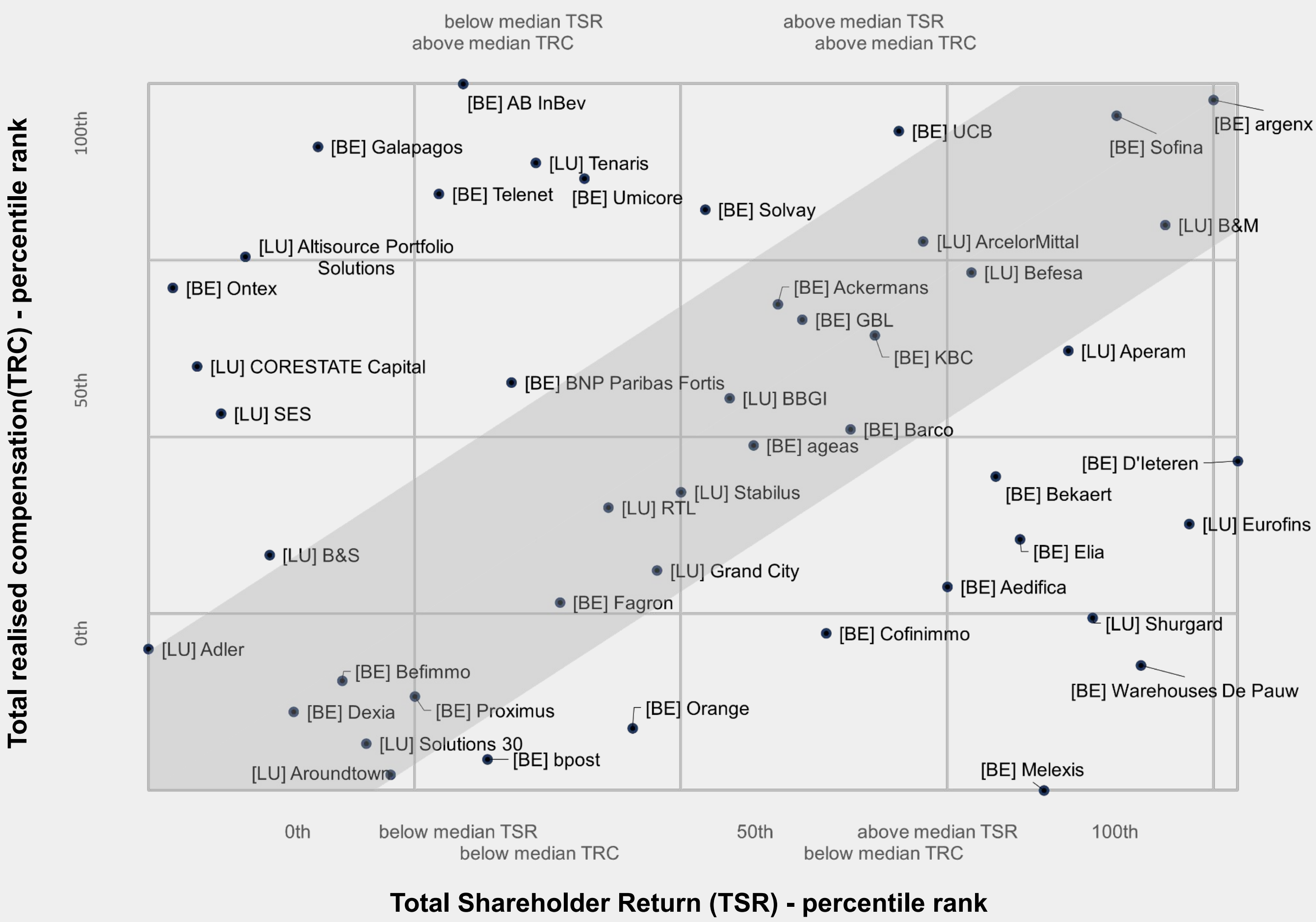
[9] The definition of relative positioning is to assess the pay and performance placement of a company within a self-selected set of companies, peer group or index to determine the alignment.

2019-2021 Pay for Performance alignment CEO TRC vs TSR



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Reference is also made to Appendix 1 'Diligent Compensation & Governance Intelligence CEO P4P overview' for further information. The appendix also shows the evolution of the ranking of each company on a three-year basis.

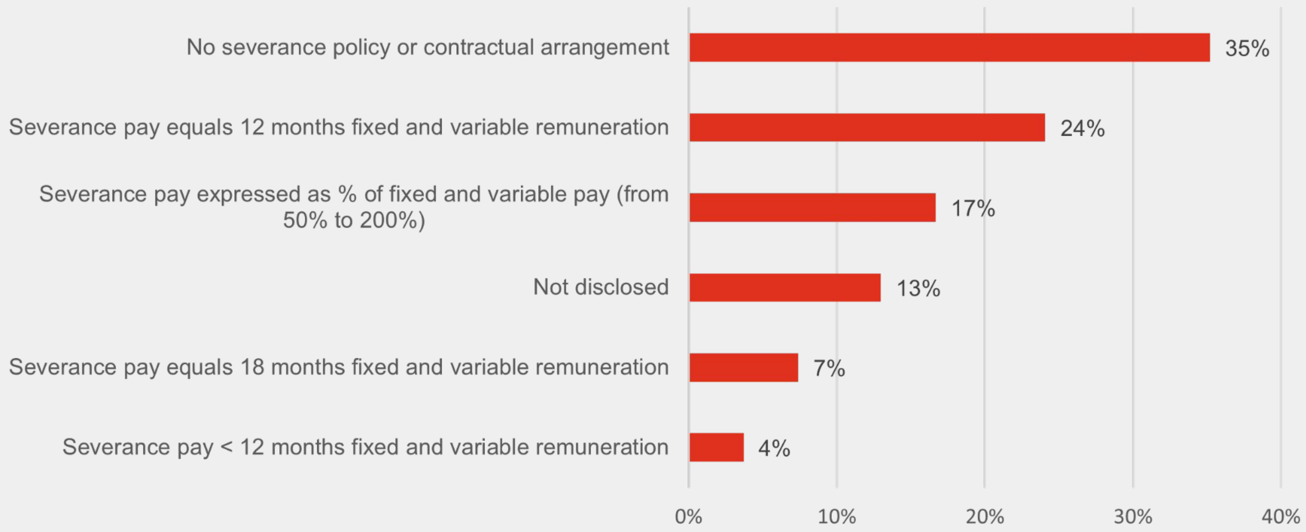
[9] The definition of relative positioning is to assess the pay and performance placement of a company within a self-selected set of companies, peer group or index to determine the alignment.

Severance pay

In Belgium, the arrangements, notice periods and the terms of the termination and payments linked to termination to directors should be disclosed in the remuneration policy (art. 7:89/1, §2, 5° of the Belgian Companies and Associations Code) and are subject to restrictions (art. 7:92 of said Code). In this respect, shareholders may intervene by way of voting on an agreement to pay a severance package exceeding 12 months of remuneration (or 18 months subject to a reasoned opinion delivered by the Remuneration Committee).

The graph below shows the practices of the companies in the Selected Index (both Belgian and Luxembourg companies) when it comes to severance pay policy.

Overview of severance pay practice in the Selected Index (2022)



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Environmental, social and governance (ESG)

In recent years, awareness of environmental problems and social responsibility has gained considerable importance within society. Companies have been encouraged by a diverse range of stakeholders to align their strategy and their desire to create value with their social responsibility. It's in this context that ESG criteria have emerged.

ESG stands for 'environment, social and governance', three factors used to analyse the sustainability and social impact of companies. According to PwC's Corporate Director's Guide – ESG Oversight, ESG '... can represent risks and opportunities that will impact a company's ability to create long-term value'. From an environmental perspective, ESG deals with issues such as climate change, natural resource scarcity, etc. From a social point of view, it covers issues like labour practices, fairness in pay, flexibility, social justice and wellbeing. The governance aspect of ESG includes board diversity, executive pay, and tax transparency. It's clear that a broad variety of topics can fall within the scope of the ESG umbrella, however not all of them will be of equal importance or relevance for every company (socially or financially).

ESG is on the agenda in the boardroom notably because of the interests of the various stakeholders, both internal and external. External stakeholders including investors, consumers, suppliers etc. are increasingly scrutinising non-financial factors when identifying material risks and growth opportunities, or when seeking to make sustainable consumption choices that will be in line with their values[10]. It is therefore not surprising that the 2022 Annual Corporate Directors Survey reports that 55% of directors (up three points from last year) say ESG is regularly part of the board's agenda. Nonetheless, just 57% of directors say ESG issues are linked to company strategy, down from 64% last year. And only 45% of directors think that ESG issues have an impact on company performance, down nine points from a year ago. As a result, the connection between ESG and company fundamentals seems less obvious to directors compared to last year's survey. Female directors however are more likely to see ESG's connection to strategy and to prioritise climate change compared to male directors.

ESG matters are also important for internal stakeholders such as employees and potential recruits. It's now well known that Gen Z and millennials tend to have greater concerns about social and environmental issues. It's also important for them to have an employer that is aligned with their personal values. Among the most important factors when considering a change in work environment are fair reward, a meaningful job and being able to be their true selves at work, according to respondents of PwC's 2022 Global Workforce Hopes and Fears Survey. The survey also highlights the importance workers place on the company's transparency on social and environment issues.

[10] Also see: PwC 25th Annual Global CEO Survey

ESG mapping

A broad variety of KPIs are available to measure ESG performance within a company. Below is an overview of criteria falling under the ESG umbrella [11].

Environment				Social				Governance pillar	
Climate change	**Natural resources**	**Pollution & waste**	**Environment opportunity**	**Human capital**	**Product liability**	**Stakeholder opposition**	**Social opportunity**	**Corporate governance**	**Corporate behavior**
Carbon emissions	Water stress	Toxic emissions & waste	Opportunities in clean tech	Labor management	Product safety & quality	Controversial sourcing	Access to communication	Board diversity	Business ethics
Product carbon footprint	Biodiversity & land use	Packaging material & waste	Opportunities in green building	Health & security	Chemical safety		Access to finance	Executive pay	Anti-competitive practices
Financing environmental impact	Raw material sourcing	Electronic waste	Opportunities in renewable energy	Human capital development	Financial product safety		Access to health care	Ownership	Corruption & instability
Climate change vulnerability				Supply chain labor standards	Privacy & data security		Opportunities in nutrition & health	Accounting	Financial system instability
					Responsible investment				Tax transparency
					Health & demo. risk				

Source: MSCI ESG universe

Other commonly used financial and non-financial indicators, among which some ESG criteria, can be found in the section on key performance indicators.

ESG reporting requirements

Legislators in general and European legislators in particular have decided to monitor the impact companies have on the world around them by making them more accountable and transparent about their social and environmental footprint. The Directive 2014/95/EU, also called the Non-Financial Reporting Directive (NFRD), sets out rules for disclosure of non-financial and diversity information by large public interest entities with over 500 employees. The information to be disclosed relates to environmental and social matters, the treatment of employees, respect for human rights, anti-corruption and bribery and diversity within company boards (in terms of age, sex, educational and professional background).

It is worth noting this directive will in principle be amended by the Corporate Sustainability Reporting Directive (CSRD), which will notably extend the scope of the regulation to all large companies and all companies listed on regulated markets (and all their subsidiaries).

It will impose the examination of sustainability data by a third-party auditor, provide more detail about the information to be disclosed and ensure that all information is published in digital format as part of the companies' management reports (i.e. at the same time as financial reporting in order to improve accessibility).

The application of the regulation will take place in different stages:

- 1 January 2024 for companies already subject to the NFRD
- 1 January 2025 for large companies that are not presently subject to the NFRD
- 1 January 2026 for listed SMEs, small and non-complex credit institutions and captive insurance undertakings
- 1 January 2028 for third-country companies

[11] Source: PwC's Corporate Director's Guide – ESG Oversight

The Council and the European Parliament have reached a political agreement on the CSRD. The final publication in the Official Journal is expected in November 2022. Member States will have 18 months to transpose it into national legislation and the European Commission should adopt the reporting standard by end June 2023.

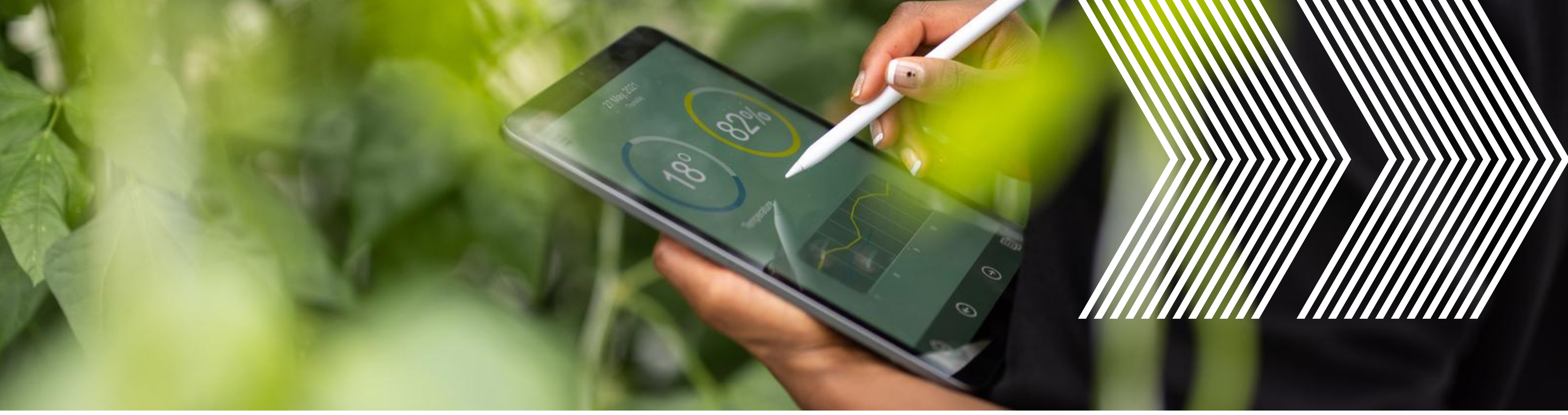
The ultimate goal of the EU is to foster the sustainable growth of the companies based in the European Union and to ensure the greenification of investments in order to achieve the EU's goal of climate neutrality by 2050. In order to achieve these goals, the EU has put in place a taxonomy (a classification system) that establishes a list of sustainable economic activities along with their definitions. This creates more security for stakeholders and helps protect them from greenwashing strategies. The taxonomy regulation [12] also sets out four overarching conditions that an economic activity should meet in order to be considered sustainable:

1) it should contribute substantially to one or more of the climate and environmental objectives (also listed in the regulation); 2) it should not significantly harm any of the other objectives; 3) it has to be carried out in compliance with minimum social safeguards defined in the regulation; and 4) it has to comply with technical screening criteria established through delegated acts by the Commission, which is empowered to draft the current list of environmentally sustainable activities.

The European legislator also decided to pay particular attention to the practices of banks, which resulted in the emergence of the concept of 'sustainable finance'. The new strategy aims to strike a balance between fighting climate change and boosting investment in the European Union by enabling the investors to reorient investments towards more sustainable technologies and businesses [13].

[12] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32020R0852, published on 22 June 2020 and entered into force on 12 July 2020.

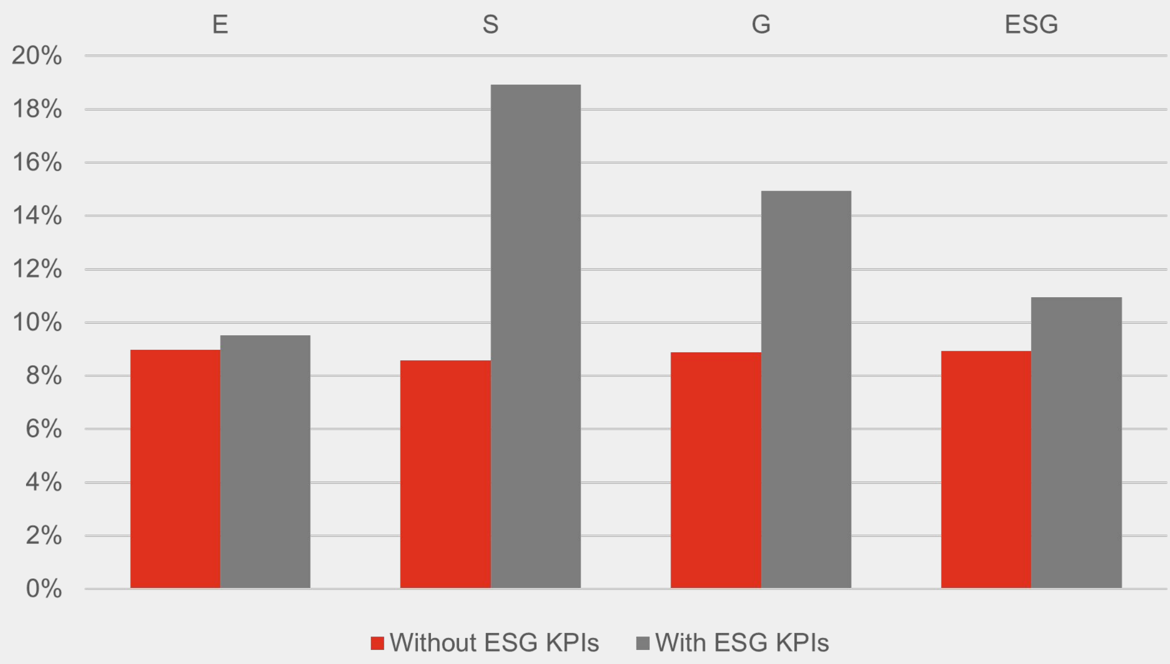
[13] https://finance.ec.europa.eu/publications/strategy-financing-transition-sustainable-economy_en



Linking ESG to executive pay

A recent study by PwC in the UK [14] shows that investors and senior leaders largely agree on the reasons for linking ESG to pay, yet they differ in their views on ESG priorities. Most executives (78%) and even more investors (86%) believe that incorporating ESG factors into a company's strategy increases shareholder value [15]. The graph below seems to confirm that tying executive pay to ESG objectives has a positive impact on the company's total shareholder value. It explains why a growing number of shareholder proposals are asking companies to integrate ESG goals into their executive compensation package. ESG targets are included in the KPIs of 82% of the executives interviewed. They also mentioned that with the rapid evolution in concerns related to ESG, they went through a process whereby many ESG issues were integrated more explicitly into the company's strategy.

Median TSR for companies with or without ESG KPIs



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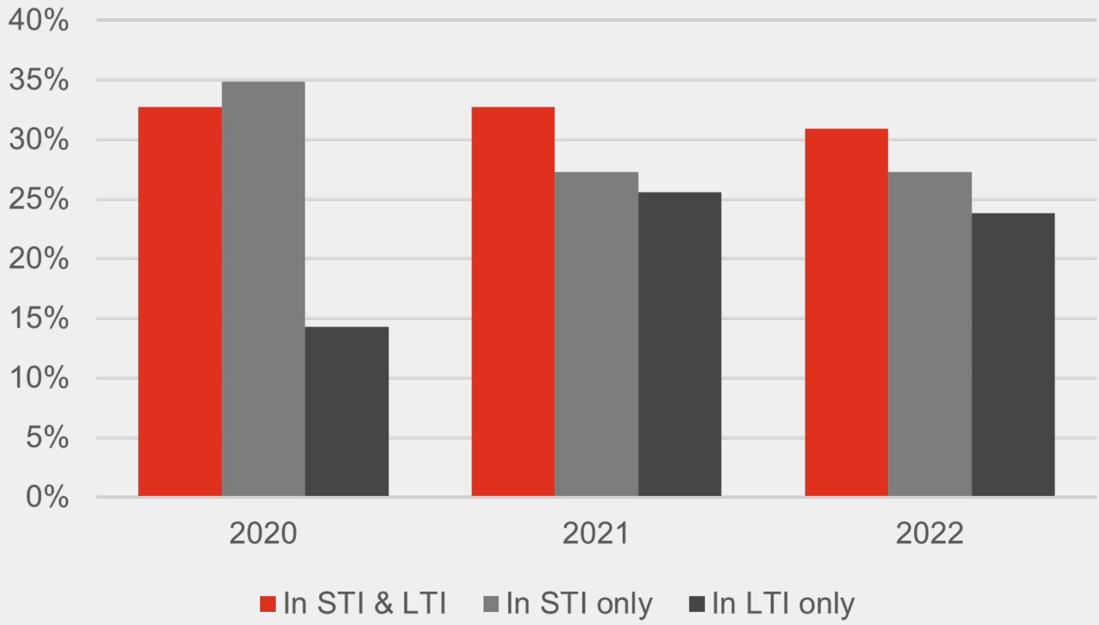
[14] PwC UK, Paying for good for all. Global research into ESG and reward beyond the boardroom.
[15] Same as above.

As observed in our previous reports, performance is still measured largely against financial criteria. In addition, non-financial KPIs – and in particular ESG indicators – are more frequently used for STI rather than LTI. An explanation for this may be that it is more challenging to set meaningful ESG targets for LTI as LTI targets are likely more output driven. As a result, companies start by establishing ESG metrics in STI. This approach allows them to set achievable short-term goals by linking them to STI plans and progressing on them step by step.

The graph below shows the percentage of companies in the Selected Index using ESG criteria to assess the performance achievement of their STI and LTI plans from 2020 to 2022. 'All' refers to the combination of all plans (both STI and LTI) that include an ESG related KPI. Although the percentages are similar for 2021 and 2022, we can observe a shift towards more ESG KPIs being integrated into LTI compared to 2020. However, most companies tie ESG KPIs to both STI and LTI plans.

Note that the graphs in this section of the report aim to illustrate the proportion of companies with ESG related metrics incorporated into their STI and/or LTI. In the first instance, not all companies have ESG related metrics, so the sum of the elements incorporated in the graphs do not equal 100%. Secondly, the data measures independent components, meaning that it is likely that it shows overlap where a company does have E metric, S metric and G metric for instance.

% of companies with ESG KPIs, with STI/LTI breakdown



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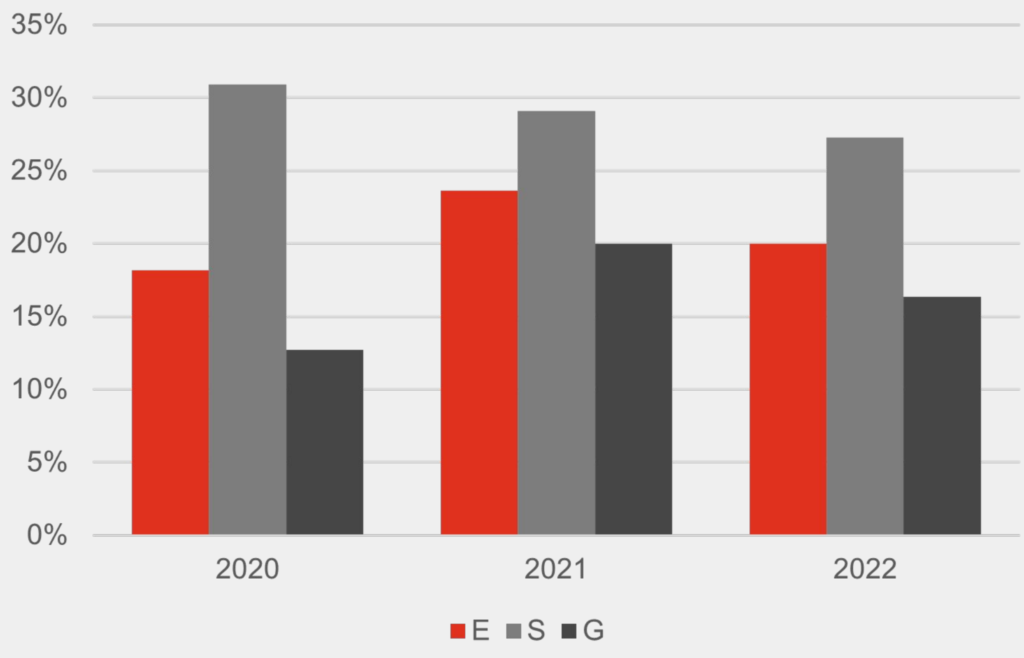
Below is a breakdown of the three components of ESG (environment, social and governance) and the percentage of companies within the Selected Index using them in their KPIs for incentive plans. This graph includes all plans, i.e. both STI and LTI, that include incentives which can be awarded in any form (cash, shares or options) and that include an ESG related KPI. The social component is one of the most frequently used KPIs, which is in line with the observation in our previous report that almost one third of the non-financial KPIs were about employees' health and safety.

% of companies with E/S/G KPIs breakdown



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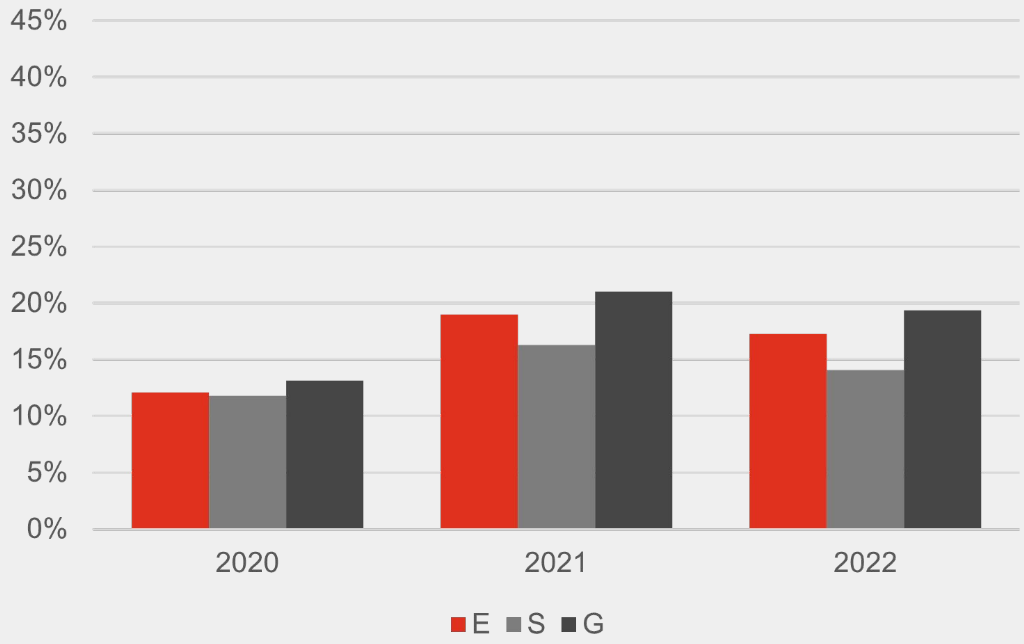
Nonetheless, and as shown in the graph below, the weight given to each component of ESG KPIs shifts over time. Whereas the social indicators are the most frequently used, their weighting is less significant than the other factors.

Average weighting given in % for ESG KPIs



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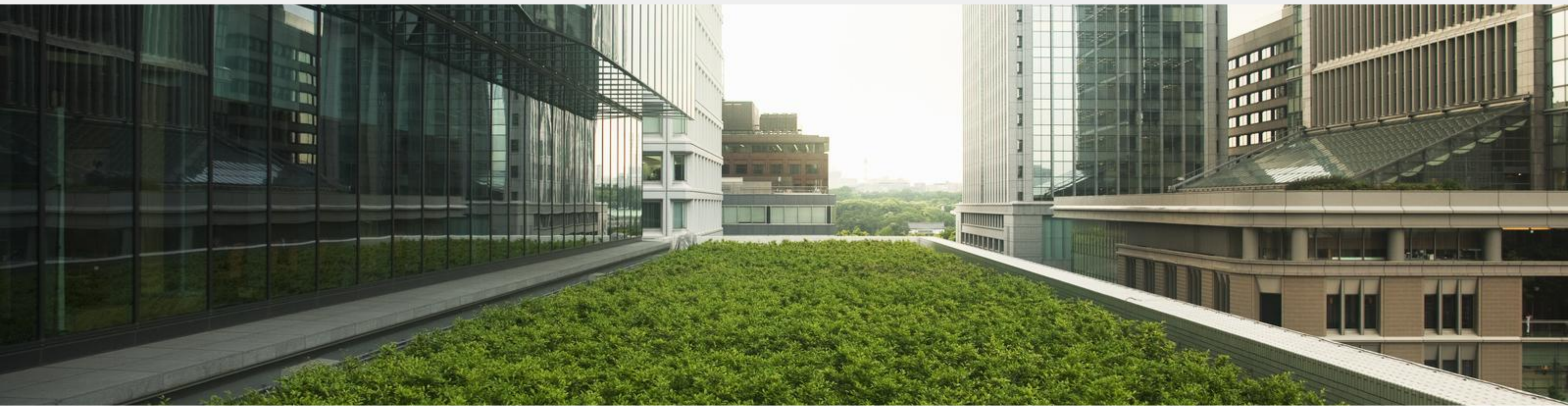


Board composition
– key trends and developments

Overview

Governance structure:

- One-tier: **83%**
- Two-tier: **17%**

Average board size: 10

- Luxembourg: **8-9**
- Belgium: **11-12**

Average Audit Committee size: 2-3

Representation of female directors in the boardroom:

- Luxembourg: **22%**
- Belgium: **38%**

Average age: ~ 60

- Number of dependent directors: **271**
- Number departed directors in 2022: **49**
- Number of independent directors: **283**
- Number appointed directors in 2022: **39**

Board composition

The composition of the board should be determined so as to be appropriate for the company's purpose, operations, phase of development and ownership structure. In order to ensure that decisions are made in the corporate interest of the company, taking into account the legitimate interests and expectations of shareholders and all other stakeholders, the board should comprise expertise in the company's areas of activity as well as a diversity of skills, knowledge, background, age and sex.

Board composition is increasingly under scrutiny from investors, regulators and others in the governance community. Many investors and other stakeholders want more information about a company's director nominees, especially when boards and their nominating and governance committees are considering director tenure, board diversity, and the results of board self-evaluations.

Board size

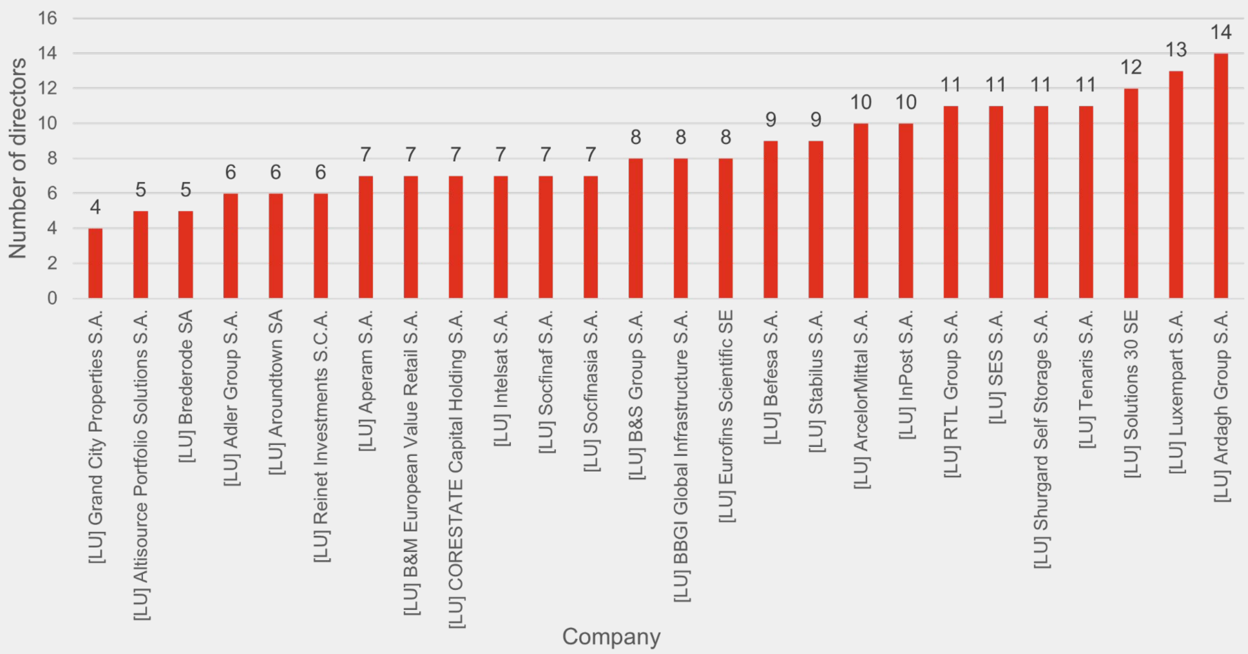
It is primordial for a company to have a board of directors of an appropriate size. It should be large enough to enable the board members to contribute with experience and knowledge from various fields and to allow for changes of composition without disruption. At the same time, the board size should allow for an efficient decision-making process.

In Belgium and Luxembourg, the board should in principle comprise at least three members, with a maximum of 16 directors recommended by the Luxembourg corporate governance code. There is no similar recommendation regarding the maximum number of directors under Belgian regulation or soft law.

Luxembourg companies in the Selected Index adhered to the corporate governance code. The smallest board consists of four members (Grand City Properties S.A.) while the largest board is composed of 14 members (Ardagh group S.A.). Luxembourg boards have an average of eight to nine members.

*** Important note: board members of Supervisory Boards are included in the graphs shown in this section; however Advisory Board individuals are not counted as board members.***

Board size – Luxembourg



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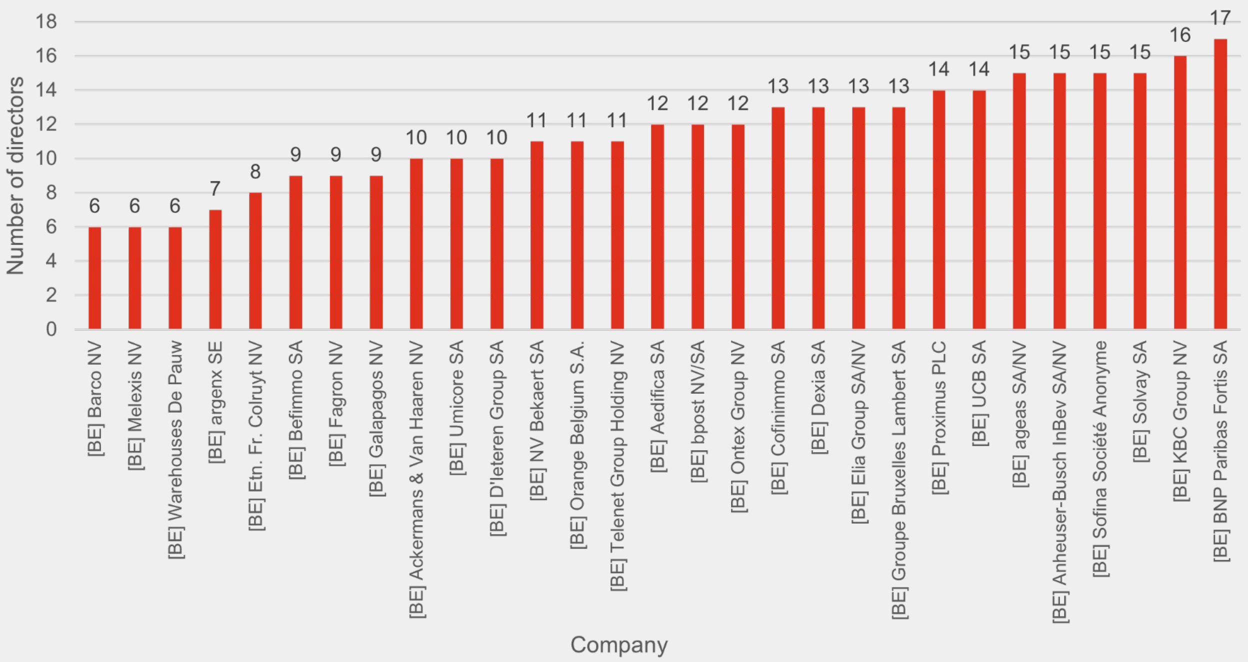
The board size of Belgian companies in the Selected Index is usually larger, with an average of 11 to 12 members. The smallest boards count six members (Barco N.V., Melexis N.V.and Warehouses De Pauw) and the largest board consists of 17 members (BNP Paribas Fortis S.A.).

Board size – Belgium



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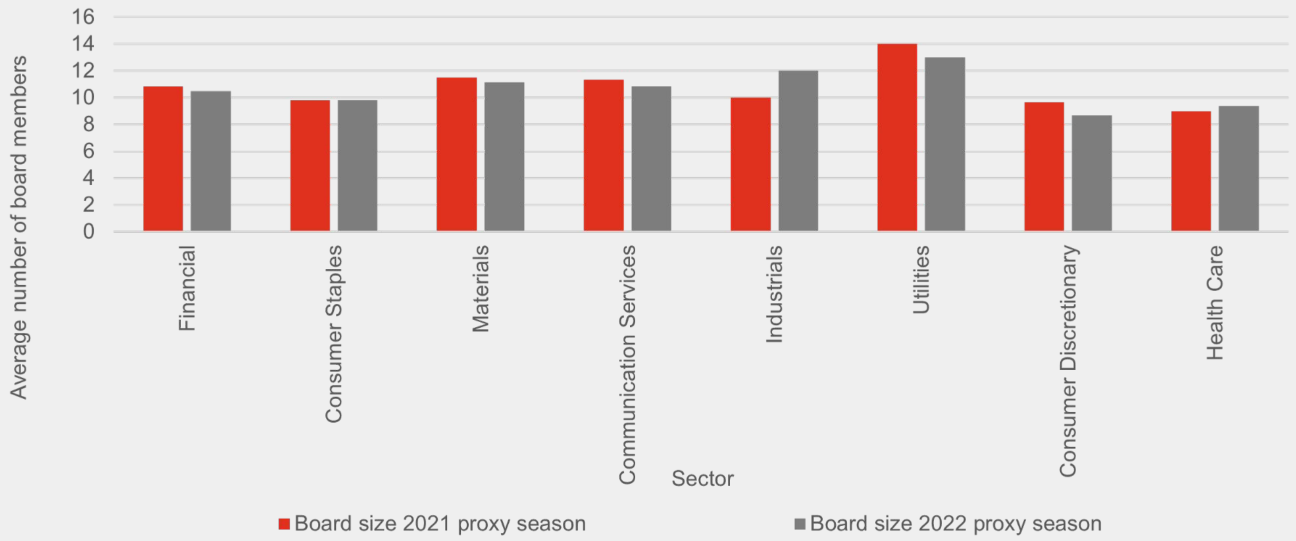
Compared to last year, the number of directors fluctuated in the Belgian companies of the Selected Index. Approximately one-third of the companies (35%) decreased their board size compared to last year (e.g. Groupe Bruxelles Lambert S.A., RTL Group S.A., Socfinaf S.A. and Socfinasia S.A.), while 23% increased the number of directors on their board (e.g. bpost S.A./N.V., Telenet Group Holding N.V., Ontex Group N.V.). The remaining (42%) kept the same board size compared to the previous year.

The following graph shows the average number of directors per sector both in 2021 and 2022.

Board Size – Comparison of the average number of board members in 2021 vs 2022 proxy season



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Board diversity

Diversity is a key element of any discussion of board composition. It covers not only sex, age, race and ethnicity, but also the range of skills, backgrounds, personalities and experience on the board.

The Non-Financial Reporting Directive (NFRD)[16] requires large listed companies to provide a description of their diversity policy. This should show how the policy is applied in relation to the company's directors, members of the management committee and management, with regard to aspects such as age, sex and educational and professional background. It should also describe the objectives of the diversity policy, its implementation methods and the outcomes.

Moreover, the European Commission has presented objectives for moving towards a gender-equal Europe in its Gender Equality Strategy 2020-2025.

Pay Transparency - Equal pay for women and men for equal work

As part of the Gender Equality Strategy 2020-2025, the European Commission published a proposal for a directive on binding pay transparency measures[17]. One of the goals is a Union in which women can participate equally in and lead our European society.

[16] Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups.

[17] Proposal for a Directive of the European Parliament and of the Council of 4 March 2021 to strengthen the application of the principle of equal pay for equal work or work of equal value between men and women through pay transparency and enforcement mechanisms.

The Directive includes the obligation to inform workers on pay levels and an obligation for companies with more than 250 workers to report the gender pay gap and perform a pay assessment if the gap exceeds 5%. This way, the proposed measures will increase awareness of pay conditions within the company. Through transparency and reinforced enforcement mechanisms enabling workers and employers to tackle pay discrimination, the European Commission aims to combat factors contributing to the existing pay gap.

Update - Corporate Sustainability Reporting Directive (CSRD)

The EU institutions reached an important political agreement on the Corporate Sustainability Reporting Directive (CSRD) - a critical step forward for stakeholders, including investors, with improved corporate disclosure of sustainability information on a range of issues, including climate change, diversity and inclusion and human rights. This proposal revises and extends the scope of the current non-financial reporting obligations under the EU NFRD. This legislation focuses on enterprise value and societal value and includes the concept of "double materiality".

Companies will have to report on how sustainability issues affect their business and the impact of their activities on people and the environment. The new standards should cover all ESG aspects:

Environment (same factors as for the "green taxonomy")	Social	Governance
• Climate change mitigation and adaptation • Water and marine resources • Resource use and circular economy • Pollution • Biodiversity and ecosystems	• Equal opportunities for all, including gender equality and equal pay for equal work, training and skills development and employment and inclusion of people with disabilities • Working conditions, including secure and adaptable employment, wages, social dialogue, collective bargaining and the involvement of workers, work-life balance and a healthy, safe and well-adapted work environment • Respect for human rights, fundamental freedoms, democratic principles established in international guidelines and frameworks	• The role of the undertaking's administrative, management and supervisory bodies, including with regard to sustainability matters • Business ethics and corporate culture, including anti-corruption and anti-bribery • Political engagements including lobbying activities • The management and quality of relationships with business partners • The undertaking's internal control and risk management systems, including in relation to the undertaking's reporting process

It appears from the 2022 Annual Corporate Directors Survey that only 39% of directors say their board has somewhat or substantially covered their company's stance on social issues in the past 12 months. The survey also reveals that directors are not fully confident about their understanding of the company's climate risk/strategy, nor of the internal processes and controls around data collection, nor of the company's carbon emissions. The upcoming legislation may pose some challenges in this respect and call for board upskilling in these areas.

Women in the boardroom

The Belgian Companies and Associations Code requires that in Belgian listed companies and public interest entities[18], at least one third of board members should be of a different sex from the majority. If a board member is a legal entity, the gender is determined by the sex of the permanent representative.

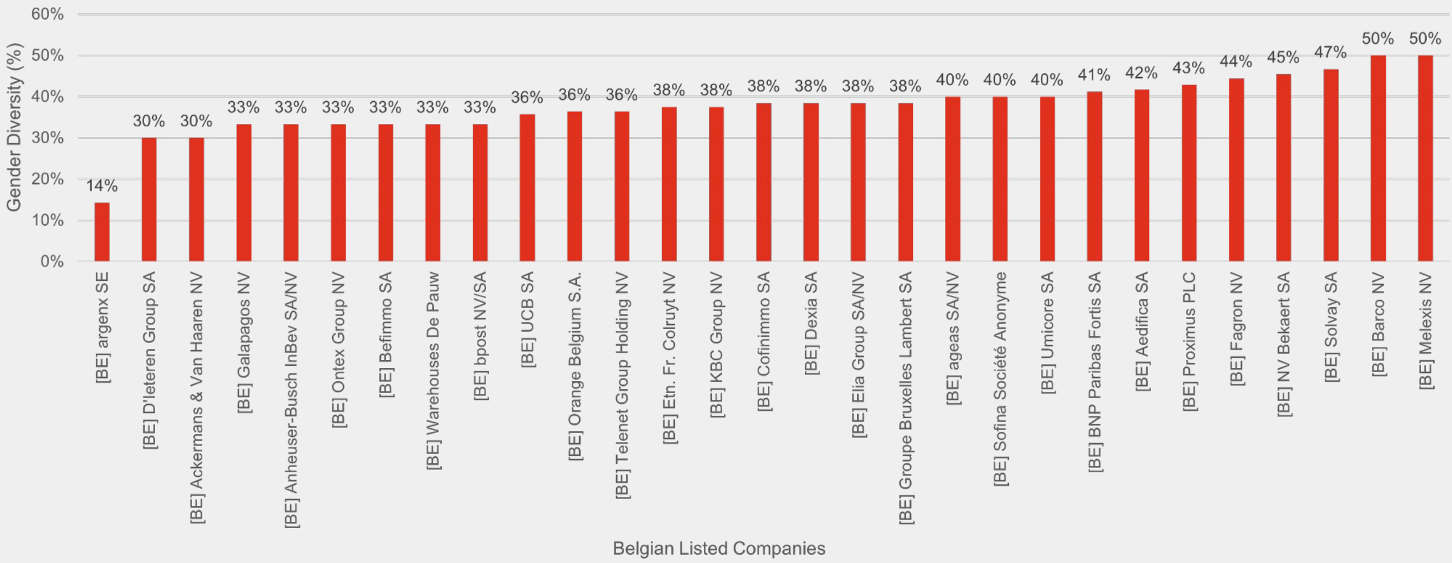
If the board of directors does not meet the one-third threshold, the first general meeting that follows should remediate the situation. Any other appointment is void. If the composition of the board is still not compliant after this general meeting, any benefit, financial or other advantage of the directors based on their mandate is suspended until the quota is met.

The composition of the board of directors of companies whose shares are listed for the first time must comply with the quota of women on the board from the first day of the sixth year following the listing.

The graph below shows the percentage of female board members in Belgian companies of the Selected Index. On average, the representation of women in Belgian boards is 38%.

Note that it includes board data on 19 September 2022. Any change to the board composition disclosed after that date is not reflected in the graphs of this Section. As a reminder, board observers are excluded.

Gender Diversity – % Female Directors on company board (2022) Belgian listed companies of the Selected Index



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The data and findings suggest that the boards of Ackermans & Van Haaren N.V. and D'Ieteren Group S.A. are composed of 10 members of which three are women, leading to a 30% representation of women in the boardroom. In this respect, we note that the minimum number of directors of the underrepresented sex necessary to meet the quantitative objective of 33% of the coming Women on Boards directive is met (see below for more information), i.e. a minimum of three directors of the underrepresented sex is required to meet the quota if the board is composed of 10 members.

It is important to note that argenx SE is included in the Belgian companies of the Selected Index. This is due to the fact that the shares of argenx SE are traded on Euronext Brussels. As the headquarters of the company is located in the Netherlands, the one third quota established in the Belgian Code of Associations and Companies is in principle not applicable to the company (Belgium applying the statutory seat theory).

[18] Art. 3:6 and in particular Art. 7:86 of the Belgian Companies and Associations Code.

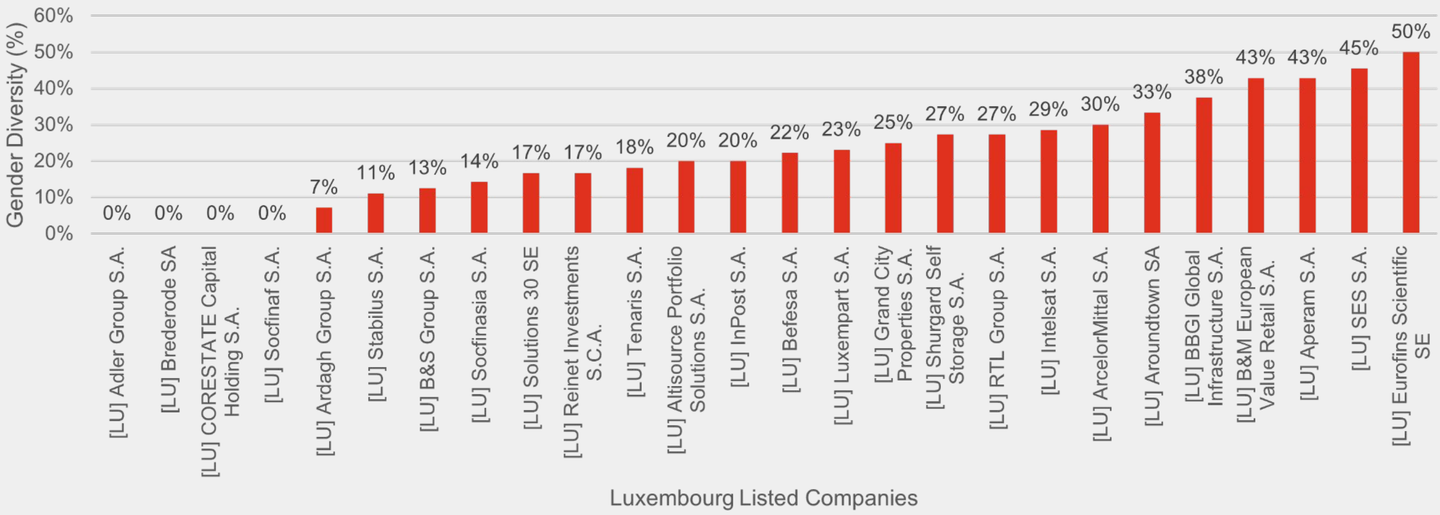
Last year, the Senate of the Netherlands approved a law ('wet ingroeiquotum voor ⅓ vrouwelijke Raad van Commissarissen-leden') introducing a one-third female quota requirement at supervisory board level. More specifically, this law, which came into effect in 2022, stipulates that the supervisory board should consist of at least one third women and at least one third men.

The gender diversity requirement set in the Dutch law for listed and large companies is similar to the one third quota in Belgium. However, it only targets the supervisory board level. A phase-in approach is allowed for companies that have insufficient diversity at their supervisory board level, whereby new appointments can be used to achieve the one third target.

Non-compliance is sanctioned by the cancellation of new appointments. Furthermore, companies are also obliged to set appropriate and ambitious diversity targets for the management board, put concrete plans in place to reach the targets and track and report annually on progress made.

The following graph shows the percentage of female directors in Luxembourg companies of the Selected Index. Only six Luxembourg companies in the Selected Index have at least one third of the board members of a different sex and four companies have no gender diversity (Adler Group S.a., Brederode S.A., CORESTATE Capital Holding S.A. and Socfinaf S.A.). On average, the representation of women in Luxembourg boards is 22%.

Gender Diversity – % Female Directors on company board (2022)
Luxembourg listed companies of the Selected Index



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The notable difference between the representation of women on boards in Belgium and in Luxembourg can be explained by the lack of regulation and best practices for gender diversity in Luxembourg compared to Belgium. In Luxembourg, regulations on board directorships are taken from the CSSF Circular 20/758 and 20/759. Whereas diversity (of geography, sex, education, and background) in board members is promoted and should be based on the principle of non-discrimination and on measures ensuring equal opportunities, there are no strict quotas in place to promote women's representation.

In terms of board gender diversity, the ISS EMEA proxy voting guidelines recommend voting against the chair of the nomination committee when the underrepresented sex accounts for less than 30%, or less than the legal threshold provided for in domestic legislation, unless there are mitigating factors (e.g. past compliance and commitment to remediate) and regardless of the company's size. The updated ISS guidelines provide for a one-year transitional period, meaning that the recommendation will be effective from 1 February 2022.

[18] Art. 3:6 and in particular Art. 7:86 of the Belgian Companies and Associations Code.

The “Women on Boards” directive - The deal to boost gender balance in listed companies

The Council and the European Parliament reached a political agreement on a Directive to promote balanced gender representation on boards of listed companies.

At least 40% of non-executive directors or 33% of all directors should be women[19] by 2026

The Directive will oblige companies to set a 40% target for the underrepresented sex among the non-executive positions by 2026. Member States may also apply the rules to executive directors, in which case the target would be 33%.

The number of (non-executive) director positions that are deemed necessary to attain the quantitative objectives set by the Directive is set out in the Annex. For instance, for a board composed of four non-executive directors, it is sufficient to have one person from the underrepresented sex to achieve the quota.

Priority to the underrepresented sex

The proposal states that, when faced with equally qualified candidates for a director position, companies should give priority to the candidate of the underrepresented sex. However, the key criterion in the selection procedure must remain the merit of the candidate.

Enhanced transparency

Listed companies will be required to disclose information on gender representation on their board on their website and in their annual report. Companies that do not reach the target will have to put in place procedures for selection and appointment designed to rectify the situation. They should further disclose the efforts taken so far and measures they intend to take in the future in order to meet the quantitative objectives.

Penalties

The proposal includes enforcement mechanisms. Member States should implement effective, dissuasive and proportionate penalties for companies failing to comply with open and transparent appointment procedures and the quantitative objectives, such as fines or nullity or annulment of the selection of board directors by a judicial body.

Where do Belgian and Luxembourg companies of the Selected Index stand?

The proposal contains minimum requirements on positive action towards gender equality at board level as some Member States have already implemented rules to reduce the underrepresentation of women in economic decision-making positions.

In Belgium, a one third quota is already in place. At least one third of board members should be of a different sex. A similar gender quota exists in the Netherlands.

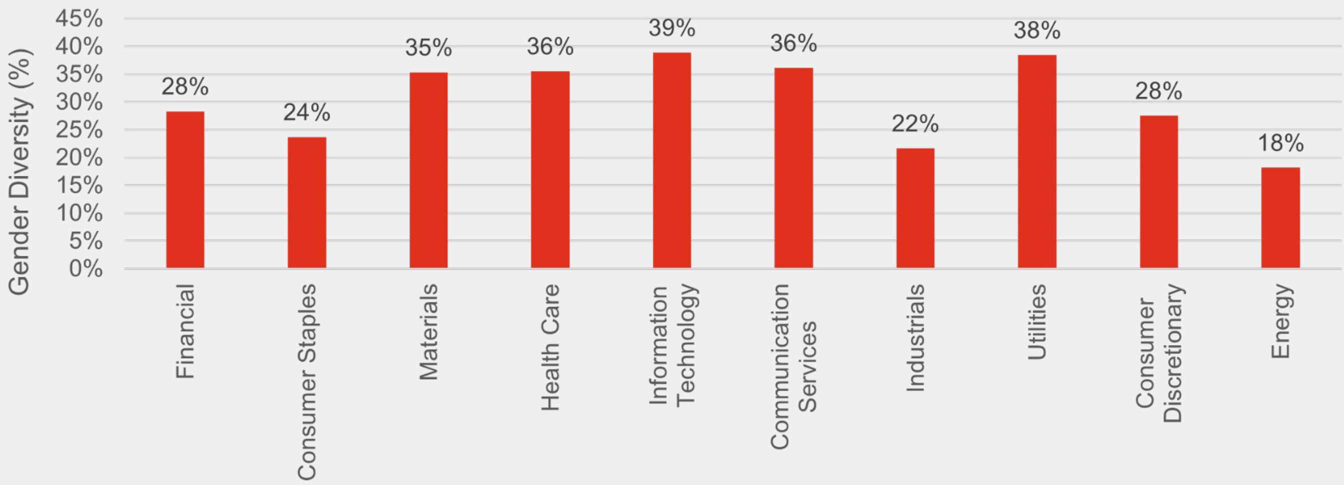
In Luxembourg, no such quota is currently in place. Hopefully the upcoming Directive will improve the gender balance within Luxembourg company boards in the following years.

While we recognise the positive efforts of the European Commission to promote gender diversity in boards (mostly by promoting the representation of female directors in boards), it should be noticed that the text refers to the “underrepresented sex”. Therefore, one may challenge the application of the directive in the actual diversity & inclusion landscape, notably the directive does not say how to consider genders in the quota.

19 In most cases and countries, the underrepresented sex being women.

The following graph shows the representation of women on boards per sector for the Belgian and Luxembourg companies of the Selected Index. The financial sector includes the following industries: diversified financial services, insurance, banking, and real estate. The energy sector is only represented by Tenaris S.A. (LuxX index), which explains the low percentage of women for this sector (18%).

Gender Diversity – % Female Directors per sector (2022)



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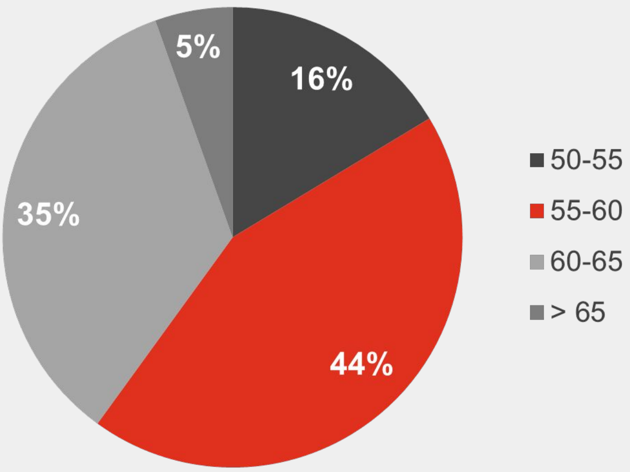
Age diversity

While age diversity is a key asset for a board of directors as people from different age groups bring different perspectives and experiences to the board room, it is still a topic that is overlooked.

As in previous years, it can be seen that the average age of board members in the Selected Index is approaching 60 in all sectors. As shown in the graph below, the majority of the Selected Index have an average age of between 55-65 in their board; approximately one third of the Selected Index has an average age ranging from 50-55 in their board; and only 5% of the Selected Index has an average age exceeding 65 years old. It's important to note that this observation should be interpreted carefully as the age of board members is not always disclosed.

Board Diversity in the Selected Index – Average age



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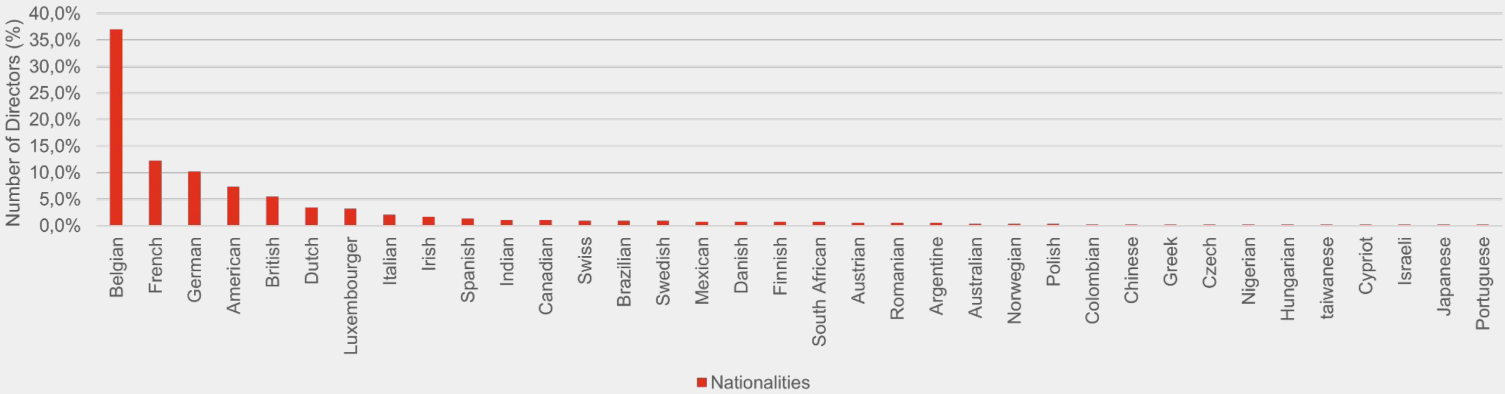
The youngest board member (28 years old) in our sample sits on the board of Altisource Portfolio Solutions S.A. while the oldest (almost 90 years old) is on the board of Sofina Société Anonyme. The latter also has the biggest age gap between the youngest and oldest members (46 years difference).

The lack of younger directors may be explained by the lack of succession planning in the boardroom. Although almost half of directors (48%)[20] say that at least one of their fellow board members should be replaced, the tough conversations with directors who should be replaced, and the hard work of long-term board succession planning seem to remain major obstacles to the renewal of the board of directors.

Nationalities in the boardroom



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The most heavily represented nationality on the boards of the Selected Index is Belgian, with 37,1% of board members having Belgian nationality.

The second most common nationality is French (12,3%) followed by German (10,2%), American (7,4%), British (5,5%) and neighbouring countries, i.e. from the Netherlands (3,4%) and Luxembourg (3,2%).

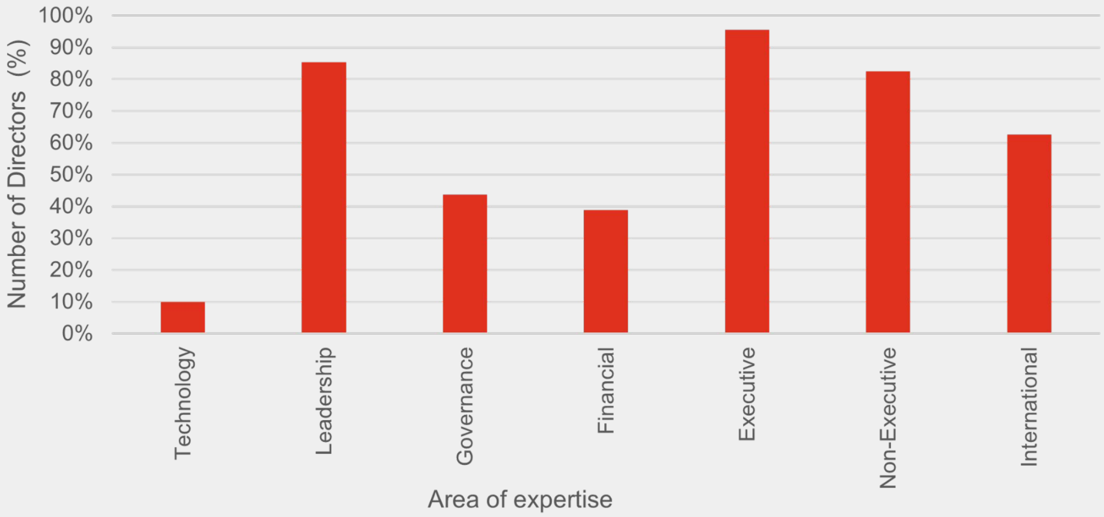
20 PwC's 2022 Annual Corporate Directors Survey

The results of the 2022 PwC annual Corporate Directors Survey revealed that racial / ethnic diversity is in the priority list of recruitment criteria of board members, confirming that board racial diversity is a hot topic. However, the lack of diversity observed based on an analysis on nationalities on boards gives us an indicator that racial and ethnic diversity may not currently be achieved within the Selected Index.

Diversity of skills and expertise

Having a diverse board in terms of experience, skill and expertise is critical. For this reason, the boards of our reference index were analysed in terms of a total of seven areas of expertise as defined by Diligent and disclosed in Appendix 2 of the report: executive, non-executive, financial, governance, international, leadership and technological expertise[21]. The three most represented areas of expertise were executive, leadership and non-executive (respectively with 95%, 95% and 82% of directors having such expertise). As last year, the least commonly reported area of expertise is technology (only 10%).

Board expertise – Breakdown per area (2022)



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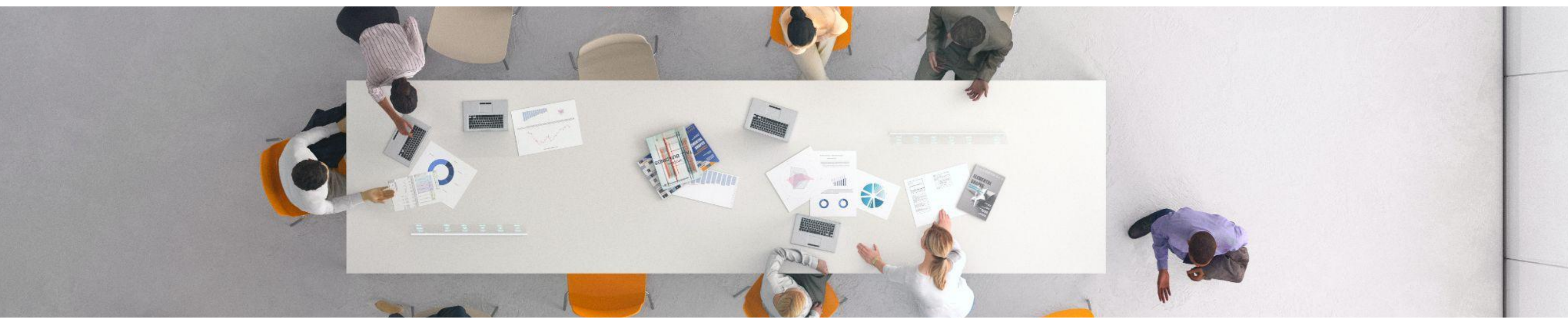
The results of the 2022 Annual Corporate Directors Survey show that financial expertise, operational expertise and risk management expertise are the most important on the board. Expertise in the industry, diversity and technology related expertise (cyber risk, IT/digital) are considered as less important based on the survey, while 54% of Belgian CEOs are worried about a potential cyberattack according to the PwC 25th Annual Global CEO Survey. Only 11% of directors say that environmental and sustainability expertise is very important in the board.



[21] Please refer to Appendix 2 for guidelines on the classification of board member's expertise.

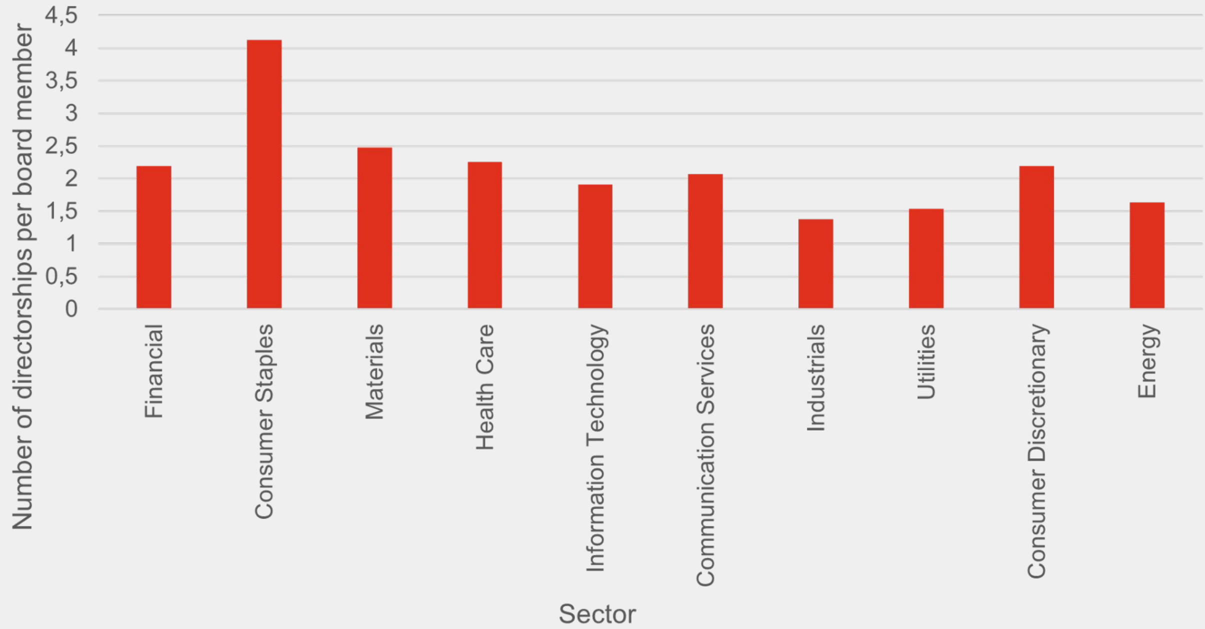
Overboarding

It is quite common for board members to simultaneously hold mandates in different companies. Directors must however be able to devote sufficient time to each directorship held.

Among the Selected Index, a total of 1.268 mandates are held by 555 directors, an average of 2 mandates per director. Directors from Luxembourg and Belgian companies have a similar average number of positions.

According to Article 62, § 1 of the Banking Law, members of the management body must devote sufficient time to the exercise of their function in the institution. For significant institutions, the Banking Law contains specific quantitative restrictions on the number of mandates. The National Bank of Belgium explains how these rules should be interpreted in an external guideline.

Average number of directorships per director of the Selected Index – all sectors



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A director's term may not exceed six years under Belgian law[22], while the Belgian Code on Corporate Governance recommends the director's term not exceed four years[23]. The 2022 Belgian voting guidelines from Glass Lewis recommend voting against the nominating committee chair when director terms exceed this limit.

Director 'overboarding' is a particular concern of investors. In Belgium and Luxembourg, both ISS and Glass Lewis recommend voting against a candidate who already holds an excessive number of board appointments. The expression 'overboarded' is defined as:

- Any person who holds more than five mandates at listed companies will be classified as overboarded. For the purposes of calculating this limit, a non-executive directorship counts as one mandate, a non-executive chair position counts as two mandates, and a position as executive director (or a comparable role) is counted as three mandates.
- Also, any person who holds the position of executive director (or a comparable role) at one company and serves as a non-executive chair at a different company will be classified as overboarded[24]

The 2022 Annual Corporate Directors Survey suggests that directors have a conservative view on overboarding. While they most commonly agree that CEOs should serve on no more than two total boards (including their own), almost one third (31%) think CEOs should not serve on another board at all. 40% say the same about other sitting executives.

[22] Article 7:85§2 and 7:105§3 of the Belgian Code on Companies and Associations
[23] Provision 5.6 of the Belgian Code on Corporate Governance
[24] ISS EMEA Proxy Voting Guidelines Updates for 2022 (available here).

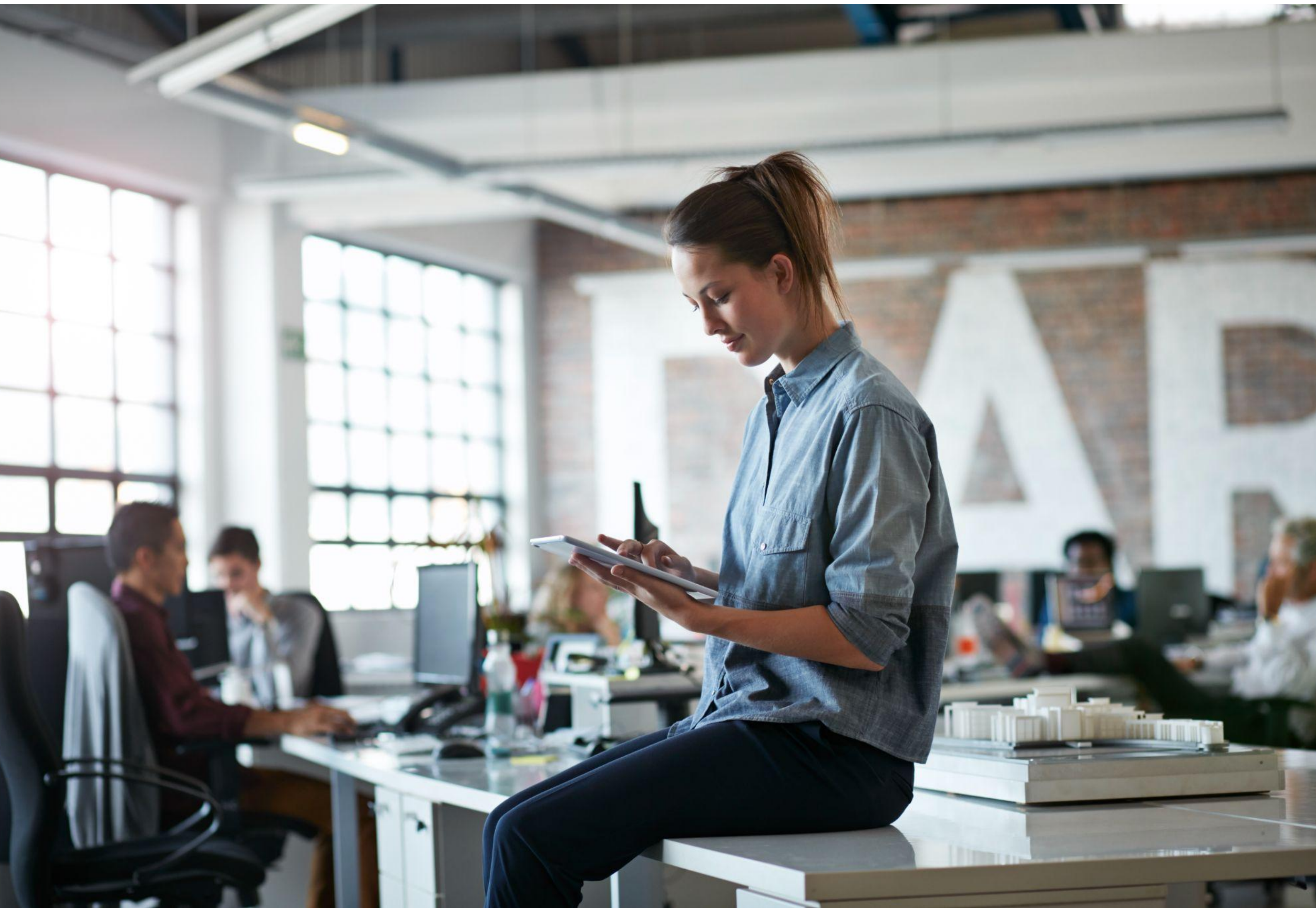
Steps to board diversity

Board diversity is undeniably one of the keys to better corporate governance and, to directors, it is clear that board diversity brings benefits. Based on the 2022 Annual Corporate Director Survey, most directors agree that it brings unique perspectives to the boardroom, improves relationships with shareholders, enhances board performance, and improves strategy/risk oversight and company performance.

Board renewal is still lagging and the incentive to promote more diversity in boards of directors also raised concerns among directors as 34% believe that the push for diversity is resulting in unneeded candidates (up from 27% compared to last year) and in unqualified candidates (31% up from 23%). In particular, it seems that male directors question the efficiency of board diversity measures more than their female counterparts (around 60% of male directors are sceptical of the results of diversity efforts compared to 30% of female directors).

On the other hand, the notion of board diversity is evolving. The majority of directors agree that creating diversity of thought requires diversity of gender, race / ethnicity, age and board tenure. Diversity of socioeconomic background is also cited as important by 48% of directors (compared to only 39% in 2019). The survey suggests that female directors are more likely to value different kinds of diversity compared to male directors.

There is a realisation that board diversity will not happen on its own as directors are becoming more aware that boards of directors will not naturally become more diverse over time. There is a need for proactive action in this matter. The survey highlighted that the main measures taken in the past two years consisted of increased disclosure in proxy statements about board diversity. Among the other measures, replacing a retiring director or increasing the size of the board were cited as effective ways to add diversity to the board.



Appendix 1

Diligent Compensation and Governance Intel CEO P4P overview

The below ranking is based on the degree of alignment between TRC and performance found in the 'Diligent Institute – 2021 P4P Alignment' chart.

	Ranking: 2021 (2019)	BeLux	2021				Growth 2019-2021				2019-2021				
			Total Compensation realised (mln eur)	2021 TSR	Percentrank compensation	Percentrank performance	Growth 2019-2021 TRC	Growth 2019-2021 TSR	Percentrank compensation	Percentrank performance	3YR Total Realised Compensation (mln eur)	3Y TSR	Percentrank compensation	Percentrank performance	2021 year end value of 100 eur investment made January 1st, 2019.
Strong Alignment	1(9)	Groupe Bruxelles Lambert SA	**2.0**	21%	62	62	-22%	-5%	25	47	**6.6**	39%	67	60	**139**
	2(7)	Solutions 30 SE	**0.5**	-33%	7	7	-43%	-44%	15	12	**1.7**	-20%	9	20	**80**
	3(5)	ageas SA/NV	**1.4**	8%	47	44	-34%	-31%	20	27	**4.5**	31%	54	56	**131**
	4(35)	BNP Paribas Fortis SA	**2.0**	26%	64	67	14%	22%	59	78	**5.5**	4%	60	34	**104**
	5(6)	KBC Group NV	**2.3**	36%	71	76	9%	13%	52	69	**6.5**	43%	65	67	**143**
	6(3)	Sofina Société Anonyme	**11.6**	57%	100	93	609%	40%	100	94	**27.5**	168%	96	89	**268**
	7(15)	Aroundtown SA	**0.6**	-10%	9	16	-2%	-25%	39	32	**1.5**	-19%	5	23	**81**
	8(42)	ArcelorMittal S.A.	**3.7**	50%	80	89	-13%	63%	27	100	**9.2**	58%	78	72	**158**
	9(16)	B&M European Value Retail S.A.	**5.3**	37%	87	78	314%	-12%	98	43	**10.3**	192%	80	94	**292**
	10(11)	Aperam S.A.	**3.2**	44%	76	84	152%	13%	83	67	**6.3**	141%	63	85	**241**
	11(25)	Fagron NV	**0.9**	-22%	20	11	17%	-58%	64	5	**3.0**	5%	32	38	**105**
	12(20)	Barco NV	**1.7**	9%	58	47	4%	-115%	47	3	**4.5**	41%	56	65	**141**
	13(21)	Grand City Properties S.A.	**1.5**	3%	49	38	174%	-14%	86	38	**3.1**	23%	36	47	**123**
	14(-)	Stabilus S.A.	**1.2**	13%	40	51		-1%		58	**1.2**	23%	3	49	**123**
	15(17)	Orange Belgium S.A.	**0.7**	-7%	11	22	-3%	-29%	37	29	**1.8**	23%	12	45	**123**
	16(36)	Ackermans & Van Haaren NV	**2.2**	39%	69	80	-11%	32%	30	89	**6.6**	33%	69	58	**133**
	17(31)	Befesa S.A.	**4.3**	33%	84	71	223%	28%	96	87	**7.8**	94%	74	76	**194**
	18(18)	NV Bekaert SA	**2.4**	47%	73	87	194%	18%	88	74	**3.7**	96%	49	78	**196**
	19(28)	bpost NV/SA	**0.3**	-10%	2	18	-58%	-46%	8	9	**1.7**	2%	7	32	**102**
	20(41)	Tenaris S.A.	**7.5**	42%	98	82	20%	33%	66	92	**18.3**	4%	89	36	**104**
	21(10)	Dexia SA	**0.8**	0%	18	36	13%	41%	56	96	**1.9**	-41%	14	14	**59**
	22(-)	CORESTATE Capital Holding S.A.	**1.0**	-23%	27	9		-54%		7	**3.9**	-60%	52	5	**40**
	23(34)	B&S Group S.A.	**0.8**	-3%	16	33	-30%	23%	22	83	**3.1**	-44%	38	12	**56**
	24(8)	RTL Group S.A.	**1.3**	24%	44	64	211%	25%	93	85	**3.7**	11%	47	43	**111**
Conservative Practise	25(12)	Befimmo SA	**0.4**	-3%	4	29	-51%	-20%	13	34	**2.0**	-21%	18	18	**79**
	26(13)	Cofinimmo SA	**1.0**	19%	31	56	17%	-4%	61	49	**2.8**	40%	25	63	**140**
	27(22)	Elia Group SA/NV	**1.1**	20%	36	60	-1%	-20%	42	36	**3.2**	110%	40	80	**210**
	28(2)	argenx SE	**1.3**	30%	42	69	-74%	-38%	0	16	**41.1**	270%	98	98	**370**
	29(19)	Proximus PLC	**0.9**	11%	22	49	128%	-1%	81	56	**1.9**	-16%	16	25	**84**
	30(27)	Aedifica SA	**0.9**	19%	24	53	11%	-37%	54	18	**3.1**	71%	34	74	**171**
	31(-)	D'Ieteren Group SA	**1.6**	156%	56	100		62%		98	**2.9**	443%	27	100	**543**
	32(24)	Eurofins Scientific SE	**1.2**	60%	38	96	2%	7%	44	63	**3.5**	239%	43	96	**339**
	33(23)	Shurgard Self Storage S.A.	**1.0**	65%	33	98	5%	23%	49	80	**3.0**	151%	29	87	**251**
	34(29)	Melexis NV	**0.3**	33%	0	73	-10%	-2%	32	54	**0.9**	118%	0	83	**218**
	35(26)	Warehouses De Pauw	**0.7**	52%	13	91	-8%	8%	35	65	**2.3**	173%	20	92	**273**
Misaligned	36(-)	BBGI Global Infrastructure S.A.	**2.1**	5%	67	40		-7%		45	**3.6**	28%	45	54	**128**
	37(4)	Adler Group S.A.	**1.0**	-62%	29	0	48%	-34%	78	25	**2.3**	-72%	23	-	**28**
	38(37)	SES S.A.	**2.0**	-5%	60	27	25%	17%	71	72	**4.7**	-52%	58	7	**48**
	39(44)	UCB SA	**7.3**	20%	96	58	31%	20%	74	76	**19.3**	46%	94	69	**146**
	40(43)	Altisource Portfolio Solutions S.A.	**1.5**	-13%	51	13	-65%	1%	3	60	**8.7**	-50%	76	9	**50**
	41(32)	Solvay SA	**4.1**	8%	82	42	23%	-14%	69	40	**11.5**	28%	83	52	**128**
	42(39)	Ontex Group NV	**1.6**	-36%	53	4	-39%	-43%	17	14	**7.6**	-60%	72	3	**40**
	43(38)	Telenet Group Holding NV	**5.5**	-3%	89	31	205%	-3%	91	52	**13.3**	-11%	85	27	**89**
	44(33)	Anheuser-Busch InBev SA/NV	**7.1**	-6%	93	24	-60%	-34%	5	23	**121.4**	-5%	100	29	**95**
	45(30)	Umicore SA	**6.3**	-8%	91	20	45%	-35%	76	20	**13.5**	6%	87	40	**106**
	46(1)	Galapagos NV	**3.4**	-39%	78	2	-58%	-170%	10	0	**18.4**	-39%	92	16	**61**

Appendix 2

Guideline definitions and skills matrix[25]

Diligent Compensation & Governance Intel

Executive and non-executive expertise: This expertise tag is assigned to individuals who have held executive or non-executive positions in a listed or non-listed corporation (foundations are excluded) for at least two consecutive years. This group of individuals includes senior global leadership, executive committee members or equivalent positions, and members of the board of directors.

Leadership expertise: This expertise tag is assigned to a professional who has occupied a senior managerial and leadership role within a company or unit, with responsibilities in the overall design and development of the company or unit, as well as leading a workforce.

Industry and sector expertise: This expertise tag is assigned to professionals based on their curriculum vitae, after identifying the industries in which they have worked. When the industries of different companies that they have worked in are common, then a professional would be given the industry and sector expertise. The global industry classification standard (GICS) structure for industry and sector groups is used as a basis for each company the individual has worked in.

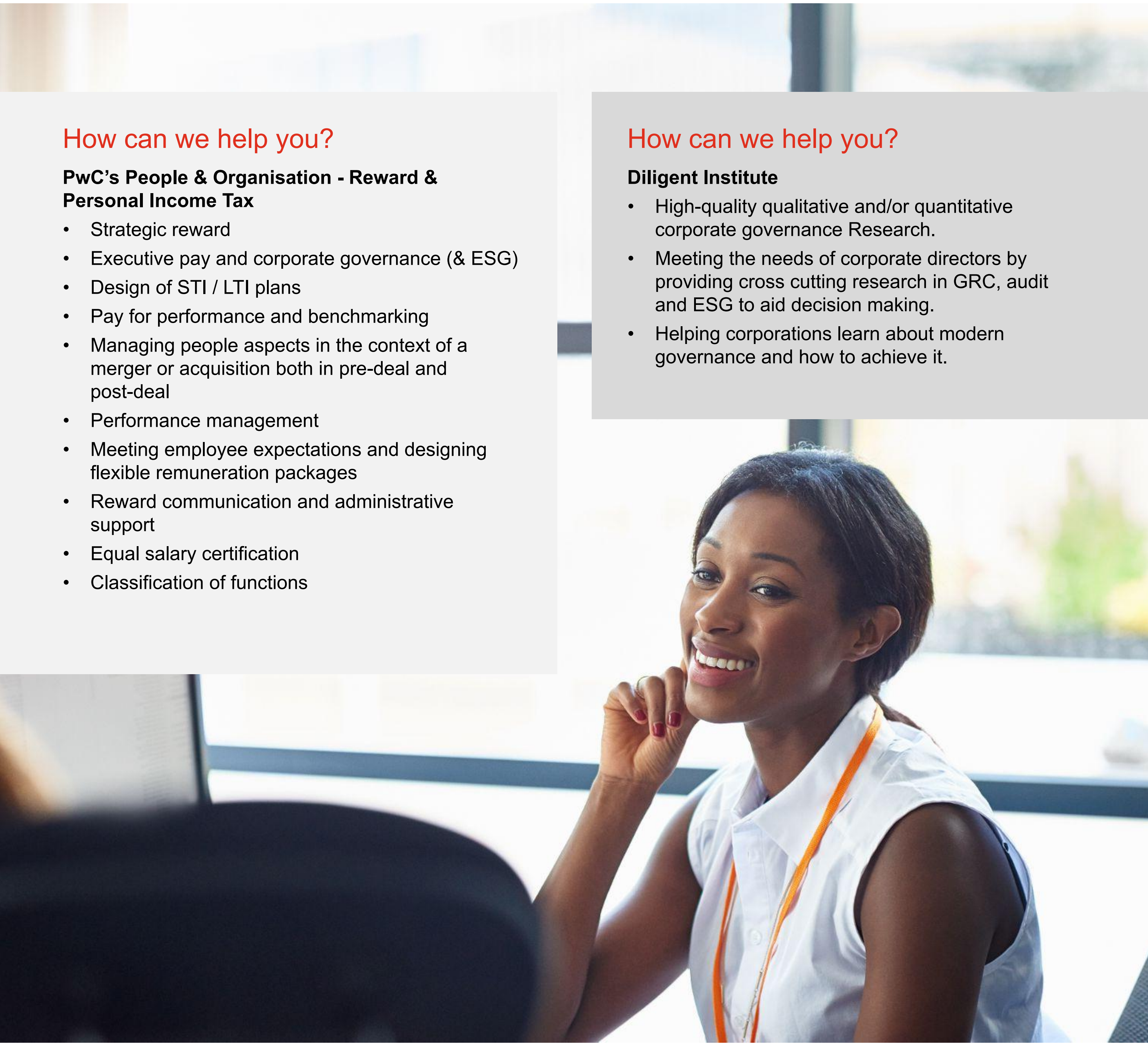
Governance expertise: Such expertise is assigned to individuals who have worked as a company secretary, legal counsel and/or in a position with compliance responsibilities (e.g. compliance officer). Professionals who have been members of a corporate governance committee will also be accorded governance expertise. The same applies to individuals who are practising governance at academic institutions.

Technology expertise: Technology expertise is assigned to individuals, who have had extensive experience in technology roles during their career. This would include responsibilities for information technology, software development, digital, cyber security and other IT-related departments. Individuals with a Ph.D. in technology, information technology or computer science will be automatically assigned technology expertise.

Financial expertise: Such expertise can be earned through education and extensive experience. Financial expertise is assigned to individuals who have worked in a company as a principal financial or accounting officer, controller, certified public accountant, or auditor. Moreover, it consists of individuals who have experience in actively supervising the aforementioned positions and/or overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements. Individuals will also be held to have financial expertise if they have held public office, which included financial base roles e.g. finance minister, accountant general etc. Finally, an individual with a Ph.D. in finance is considered to have financial expertise. Financial expertise is also accorded to people who are considered to have extensive exposure to the audit committee.

PwC and Diligent Institute

Description



How can we help you?

PwC's People & Organisation - Reward & Personal Income Tax

- Strategic reward
- Executive pay and corporate governance (& ESG)
- Design of STI / LTI plans
- Pay for performance and benchmarking
- Managing people aspects in the context of a merger or acquisition both in pre-deal and post-deal
- Performance management
- Meeting employee expectations and designing flexible remuneration packages
- Reward communication and administrative support
- Equal salary certification
- Classification of functions

How can we help you?

Diligent Institute

- High-quality qualitative and/or quantitative corporate governance Research.
- Meeting the needs of corporate directors by providing cross cutting research in GRC, audit and ESG to aid decision making.
- Helping corporations learn about modern governance and how to achieve it.

About PwC

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 152 countries with more than 328,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com

PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.

Reward is one of the key elements of sustainable performance and good corporate governance practices. Companies need effective reward programmes that comply with the rapidly changing tax and legal landscape and with corporate governance codes. At PwC, we listen to your strategic goals and work with you to design a reward programme that supports your business and is advantageous to all stakeholders.

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About the Diligent Institute

The Diligent Institute seeks to help corporate leaders be more effective by providing cutting-edge insights into corporate governance, by amplifying the voices of diverse corporate leaders, and by sharing broadly all that we are learning about modern governance practices. Founded in 2018, the Diligent Institute serves as the global corporate governance research arm and think tank of Diligent Corporation, the largest SaaS software company in the governance, risk and compliance (GRC) space. We produce original research both on our own and in collaboration with partners, including institutions of higher education and thought leaders in the corporate governance space. We produce over a dozen reports each year, ranging from our monthly Director Confidence Index, which measures how corporate directors are feeling about the economy, to in-depth reviews of issues such as ESG (environment, social, governance) practices, to our AI-powered Corporate Sentiment Tracker that analyses data from thousands of public sources to discern what's on the minds of corporate leaders. The Diligent Institute is funded solely by Diligent Corporation.

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