

2016

BOARD REMUNERATION SURVEY

Listed and state-owned companies

Norwegian Institute of Directors January 2017

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Introduction

The Norwegian Institute of Directors is an arena for the exchange of board-related knowledge and experience. The association seeks to provide members with useful and applicable information, of which the Board Remuneration Survey is an example.

Since the Norwegian Institute of Directors initiated this annual survey in 2010, boards' risk exposure and workloads have compounded. At the same time, board remuneration has increased considerably, mirroring a keener public interest in corporate governance.

The Board Remuneration Survey includes listed and state-owned companies. This year's survey comprises 202 companies, of which

158 are listed on the Oslo Stock Exchange, and 44 are state-owned, unlisted companies. 129 of the companies submitted their own data to the survey, while the Norwegian Institute of Directors has collected data from annual general meeting protocols and annual reports for the remaining 73 companies. A small number of companies, for which data have not been accessible, has been omitted from the survey.

The complete survey report is made available to our members, cooperation partners, sponsors, and companies that have contributed their own data.

January 2017

Norwegian Institute of Directors

About the survey

Industry sectors

In accordance with the Oslo Stock Exchange

Sources

Number

Data submitted by the companies

129

Data collected by the Norwegian Institute of Directors from annual general meeting protocols for 2016 and annual reports for 2015

73

Data basis

Remuneration as determined at the most recent annual general meeting; usually spring 2016.

Currency conversions as at 30 June 2016

Market value as at 31 July 2016

Data were collected August-December 2016

Survey framework

<i>Included in the survey</i>	<i>Listed companies</i>	<i>State-owned companies</i>
Total number of companies	158	44
Total number of responses (submitted/collected)	95/63	34/10
Chairperson/deputy chair/board director	145/67/147	44/39/44
Employee representative	50	25
Nomination committee (chairperson/member)	94/103	3/3
Audit committee (chairperson/member)	92/97	12/12
Compensation committee (chairperson/member)	58/62	13/13
Compensation determined in advance/in arrears	72/75	17/17
Total compensation paid to board and committees	137	43

The Norwegian Institute of Directors disclaims responsibility for errors in data submitted to the survey.

General criteria

- As the companies registered are not identical from year to year, aggregate figures are not necessarily immediately comparable from one year to the next.
- The survey includes companies which have submitted data, or for which the Institute of Directors has been able to find data. Data of every category are not available for every company. We list the number of companies included in the data basis for each category/question as (n=).
- Additional remuneration which does not apply to all members of a board or committee, or does not apply to ordinary board meetings, have not been included in calculations. Examples include additional remuneration paid to board directors whose attendance requires international travel, or for board meetings held abroad.
- For listed companies that pay remuneration in other currencies than NOK, the foreign currency amounts have been converted to NOK at rates (Norges Bank) as at 30 June 2016. 38 companies (22%) pay remuneration in foreign currencies, of which 28 in USD, 3 in SEK, 3 in DKK, 2 in EUR, 1 in GBP, and 1 in CAD.
- Different remuneration models may result in discrepancies between the numbers listed in the survey and the actual amounts paid out. For example, for companies which determine remuneration in advance and compensate on a per meeting basis, remuneration will be computed in accordance with remuneration for the current year and the number of meetings in the preceding year.

General comments
to this year's survey

- Since 2014, the Norwegian krone (NOK) has depreciated considerably. This development continued into 2016 with regards to all currencies in which the remunerations in this survey are set, with the exception of GBP. Hence, boards whose remuneration is set in e.g. USD will profit, when compared to boards whose remuneration is set in NOK.
- Remuneration in foreign currencies is more common in certain industry sectors. 43% of the energy sector companies set remuneration in foreign currencies. Presumably, this partly explains the comparably high level of board remuneration in the energy sector.
- 49% of companies set remuneration in advance, and 51% set remuneration in arrears. As a consequence, roughly half of the data applies to the period 2016/2017, and the other half to the period 2015/2016.

Highlights

Moderate increase in remuneration in both listed and state-owned companies

Board remuneration increased in listed as well as state-owned companies in 2016, and for both chairpersons and board directors. By percentage, board directors in state-owned companies (5%) and chairpersons in listed companies (4%) enjoyed the highest average increases.

Remuneration in state-owned companies comprises half of respective remuneration in listed companies

Board directors' remuneration comprises on average 50% of the remuneration paid to chairpersons in listed companies, and 54% of the remuneration paid to chairpersons in state-owned companies.

Calculated by median, remuneration paid to chairpersons in listed companies increased by 5%. In listed companies, the lower quartile enjoyed the highest increase, by 9% for board directors and 7% for chairpersons, respectively.

Chairpersons in state-owned companies had a moderate average increase in remuneration (1%) in 2016 (2015: 5%), while remuneration paid to board directors in state-owned companies increased by 5% in 2016 (2015: 7%).

Remuneration paid to chairpersons and board directors in state-owned companies comprise 50% and 55%, respectively, of the corresponding remuneration in listed companies.

Compared with last year, the change is marginal. Yet, in comparison to listed companies, the average remuneration paid to chairpersons in state-owned companies show an even, weak decline over time, while the relative strength of remuneration paid to directors in state-owned companies remains more consistent.

As in previous years, there is limited correspondence between a company's market value and its board remuneration levels. As before, we attribute this in part to the high state ownership share in the companies with the highest market value.

Energy remains the only industry sector which average chairperson remuneration exceeds the average of all companies listed on the Oslo Stock exchange.

Its remuneration is dropping, but Energy still remains in front

Strong increase in nomination committee compensation

Although the average remuneration for board chairpersons in the Energy sector dropped by 2% from 2015 to 2016, their compensation remains considerably above that of other industry sectors.

Average chairperson remuneration in the Materials sector also decreased slightly from 2015 to 2016, while compensation increased in the other sectors. The strongest increase came in Finance (14%), IT (13%) and Industrials (10%). Next to Energy, the highest chairperson remuneration is paid by Industrials, Consumer staples, and Consumer discretionary.

Following a considerable increase from 2014 to 2015, board director remuneration for Energy sector companies dropped by 8% from 2015 to 2016. In all other industry sectors, average remuneration of board directors increased from 2015 to 2016. Finance and IT shared the strongest increase, with 12%.

After Energy, the sectors that pay the highest board director remuneration are Materials, Industrials, and Consumer discretionary.

Only three of the industry sectors in this survey comprise more than 20 listed companies. In sectors with few companies, changes that apply to individual companies can considerably influence sector averages.

After two years with only minor adjustments, both chairpersons and members of nomination committees saw a considerable increase in their compensation in 2016 (21% and 14%, respectively). The largest increase came in the lower quartile.

Of the companies that list and remunerate a corporate assembly or supervisory board, the average remuneration is NOK 88 858 for chairpersons (n=9) and NOK 54 719 for members (n=6). The average number of meetings is 5 (n=6).

Only four companies state that they have a control committee, compared with nine last year. The average compensation is NOK 73 700 for chairpersons and NOK 56 450 for members. This comprises a considerable drop from 2015 - but is based on considerably fewer companies. The average number of meetings is 4.

Key figures – remuneration board of directors

Board of directors

	2016		2015		Change %	
	Chair	Director	Chair	Director	Chair	Director
Listed:	n=145	n=146	n=142	n=147		
Average	523 725	259 379	503 948	250 783	3.9 %	3.4 %
Top quartile	560 000	300 000	536 000	300 000	4.5 %	0.0 %
Median	420 000	235 000	400 000	234 000	5.0 %	0.4 %
Bottom quartile	320 000	175 000	300 000	160 000	6.7 %	9.4 %
State-owned:	n=44	n=44	n=45	n=45		
Average	261 206	141 546	258 964	135 489	0.9 %	4.5 %
Top quartile	380 000	193 000	361 000	183 500	5.3 %	5.2 %
Median	252 000	134 000	245 500	130 000	2.6 %	3.1 %
Bottom quartile	173 000	108 000	168 000	93 000	3.0 %	16.1 %

Listed vs. state-owned: State-owned companies pay on average approx. half of the corresponding remuneration paid by listed companies (board directors: 55% (2015: 54%); board chairpersons 50% (2015: 51%)).

Comments

The number of companies included in calculations is listed per category, as n=.

Listed companies

- Remuneration of chairpersons and board directors in listed companies increased moderately from 2015 to 2016; in average, by 4% for chairpersons, and 3% for board directors.
- Chairperson remuneration increased by approx. the same amounts in all quartiles, which resulted in higher percentage growth in the lower quartile.
- Board director remuneration increased considerably in the bottom quartile, while the top quartile and the median remained relatively unchanged from the previous year.
- By median, remuneration increased by 5% for chairpersons, and only marginally for directors.

State-owned companies

- Average remuneration in state-owned companies increased by 5% for directors and 1% for chairpersons.
- Chairperson remuneration increased the most in the top quartile, by 5%. Board director remuneration increased the most in the bottom quartile, by 16%.

Key figures – remuneration nomination committee

Nomination committee¹ (listed companies)

	2016		2015		Change %	
	Chair	Member	Chair	Member	Chair	Member
Average	52 142	33 750	43 108	29 732	21,0 %	13,5 %
Top quartile	60 000	37 000	60 000	35 000	0,0 %	5,7 %
Median	40 000	25 000	35 000	25 000	14,3 %	0,0 %
Bottom quartile	25 000	18 000	20 000	15 000	25,0 %	20,0 %

¹If a company has listed remuneration per meeting + number of meetings, we have calculated total remuneration.

Nomination committee vs. board of directors:

Average nomination committee fees comprise 10% (chair) and 13% (member) of respective board remuneration.

Comments

- 97% of the companies that responded to the question (n=130), stated that they have a nomination committee.
- Following two years of moderate change, average nomination committee compensation increased considerably in 2016 (chair: 21%; member 14%). The increase is particularly high in the bottom quartile, with 25% for chairs, and 20% for members, respectively.
- The number of nomination committee meetings vary considerably between companies, and from one year to the next. The highest number of meetings listed in 2016 was 31, while the lowest was 1. The average number of meetings was 5 (2015: 4).
- It is not unusual to compensate nomination committees based on the number of meetings held, and, as a consequence, compensation can vary considerably from one year to the next. Most of the highest paid committees are compensated fully or in part on a per meeting basis.

Key figures – annual remuneration board committees

Audit committee¹ (listed companies)

	2016		2015		Change %	
	Chair	Member	Chair	Member	Chair	Member
Average	86 885	59 835	81 676	54 413	6.4 %	10.0 %
Top quartile	125 020	78 000	117 852	75 000	6.1 %	4.0 %
Median	65 700	50 000	60 000	50 000	9.5 %	0.0 %
Bottom quartile	50 000	35 000	40 000	30 000	25.0 %	16.7 %

Compensation committee¹ (listed companies)

	2016		2015		Change %	
	Chair	Member	Chair	Member	Chair	Member
Average	55 155	41 282	47 831	34 822	15.3 %	18.6 %
Top quartile	70 000	50 000	59 000	50 000	18.6 %	0.0 %
Median	48 358	30 000	46 746	27 500	3.4 %	9.1 %
Bottom quartile	25 000	20 000	23 570	20 000	6.1 %	0.0 %

¹If a company has listed remuneration per meeting + number of meetings, we have calculated total remuneration.

Comments

Audit committee

- 85% of the companies (n=158) that responded to the question, stated that they have an audit committee.
- Audit committees held from 1 to 11 meetings per year, or on average 6 meetings.

Compensation committee

- 61% of the companies (n=158) that responded to the question, stated that they have a compensation committee.
- Compensation committees reported from 1 to 10 meetings per year. As in the preceding years, the average number of meetings was 3.

Key figures - bottom/top

Bottom/top remuneration

	2016		2015		Change %	
	<i>Bottom</i>	<i>Top</i>	<i>Bottom</i>	<i>Top</i>	<i>Bottom</i>	<i>Top</i>
Board chairperson	50 000	6 435 000	23 000	6 435 000	117.4 %	0.0 %
Board director	25 000	879 648	23 000	824 964	8.7 %	6.6 %
Chair nomination committee	5 000	329 449	2 500	129 600	100.0 %	154.2 %
Chair audit committee	10 000	309 971	3 500	133 567	185.7 %	132.1 %
Chair compensation committee	3 500	309 971	15 000	210 100	-76.7 %	47.5 %

Comments

- As in previous years, the top chairperson fee is considerably higher than the runner-up (see also p. 18).
- In 2016, eight companies quoted chairperson remuneration in excess of NOK 1 million, compared to five companies in 2015.
- Nine companies paid directors in excess of NOK 500 000 in 2016, compared to six in 2015. As in the previous year, fifteen companies quoted director remuneration in excess of NOK 400 000 in 2016.
- Workloads and the number of meetings may vary considerably from one year to the next, which, correspondingly, may affect top and bottom remuneration. This is especially relevant for committees. With regards to the lower range of the spectrum, relatively small sums may equal relatively large percentages. Nevertheless, the considerable increase in the top committee fees is noteworthy.

Remuneration model - listed companies

	<i>Set fee only</i>		<i>Set + per meeting</i>		<i>Per meeting only</i>		
	<i>Chair</i>	<i>Director</i>	<i>Chair</i>	<i>Director</i>	<i>Chair</i>	<i>Director</i>	
Board of directors	134	138	9	8	1	0	n=C144 D146
Audit committee	75	80	7	5	11	13	n=C93 D98
Compensation committee	38	44	5	3	15	17	n=C58 D64
Nomination committee	70	80	15	11	12	18	n=C97 D109

Comments

- The table above refers to listed companies. Only companies that have submitted remuneration amounts are included; and totals (n=) therefore vary by category.
- Chairpersons and board directors are normally remunerated with a set amount, but in addition, a few companies pay an amount per meeting.
- A set fee is also the most common remuneration model for chairs and members of committees. But a number of companies instead pay compensation per meeting, or pay a mix of set and per meeting compensation.
- Some companies that combine a set annual fee with compensation per meeting, limit total compensation by restricting the number of meetings that qualify for extra compensation, or by paying compensation per meeting only for meetings that exceed a pre-set number.
- Some companies state that they regard committee work as part of the board's ordinary tasks, and therefore do not specifically compensate committee work. Yet, the main trend is that compensation increases over time, both for board committees, and for the nomination committee. The number of committee meetings is also on the increase. The general year-by-year trend is that more companies list committees, and that committee work is compensated in addition to the ordinary director fee.

Other compensation - listed companies

<i>n=61</i>	<i>How common?</i>	<i>What is covered?</i>
Travel, room & board for meetings	Very common	As out of pocket/against receipt, or in accordance with government rates
Extra compensation for directors living abroad	Common	Extra compensation for board directors who live abroad is very common, as is paying extra compensation if one or more board meetings require travel
Courses, conferences, literature	A few	
Technical equipment	Several	Computer tablets designated for board work
Pension	One	In one case, the chairperson's retirement contribution is covered by the company
Shares/options		
Expenses related to board position	On a general note, many companies state that they cover out of pocket expenses related to the directorship position	

Comments

Listed companies

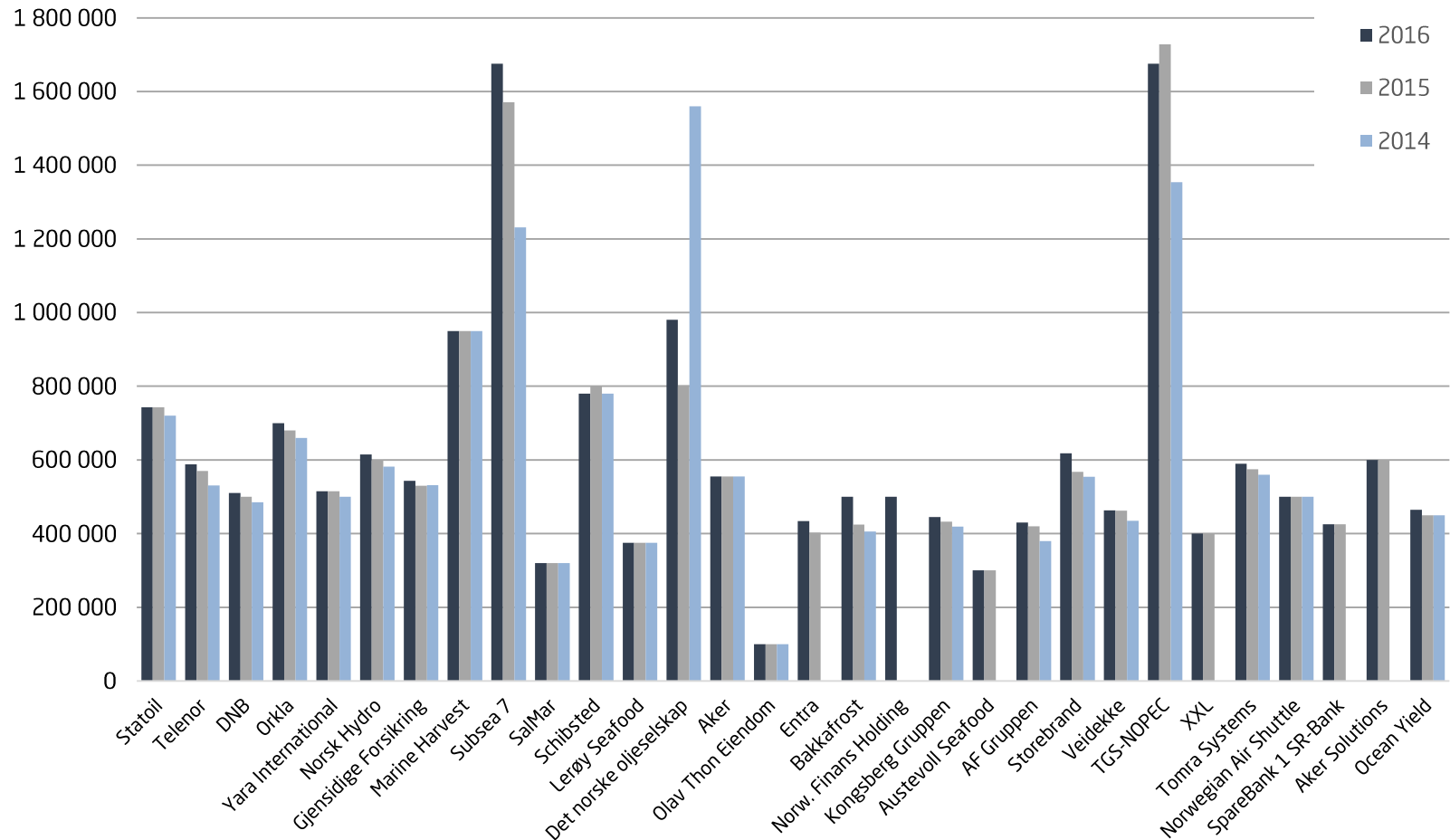
- It is common for companies to pay travel/room/board in connection with board meetings. Some companies compensate in accordance with government rates, while others refund expenses as out of pocket.
- Many companies pay additional compensation per meeting, or per year, for board directors who live abroad. The amount of additional compensation often varies with distance between home and head office. The amount of compensation varies considerably.
- In some cases special compensation is paid when board meetings are organized abroad.
- Several companies equip board directors with a computer tablet designated for board work.

State-owned companies

- State-owned companies compensate travel expenses related to board meetings (in some cases also conferences organized by the company) in accordance with government rates, or as out of pocket expenses.
- Some companies state that board members have the use of company tablets/PCs.

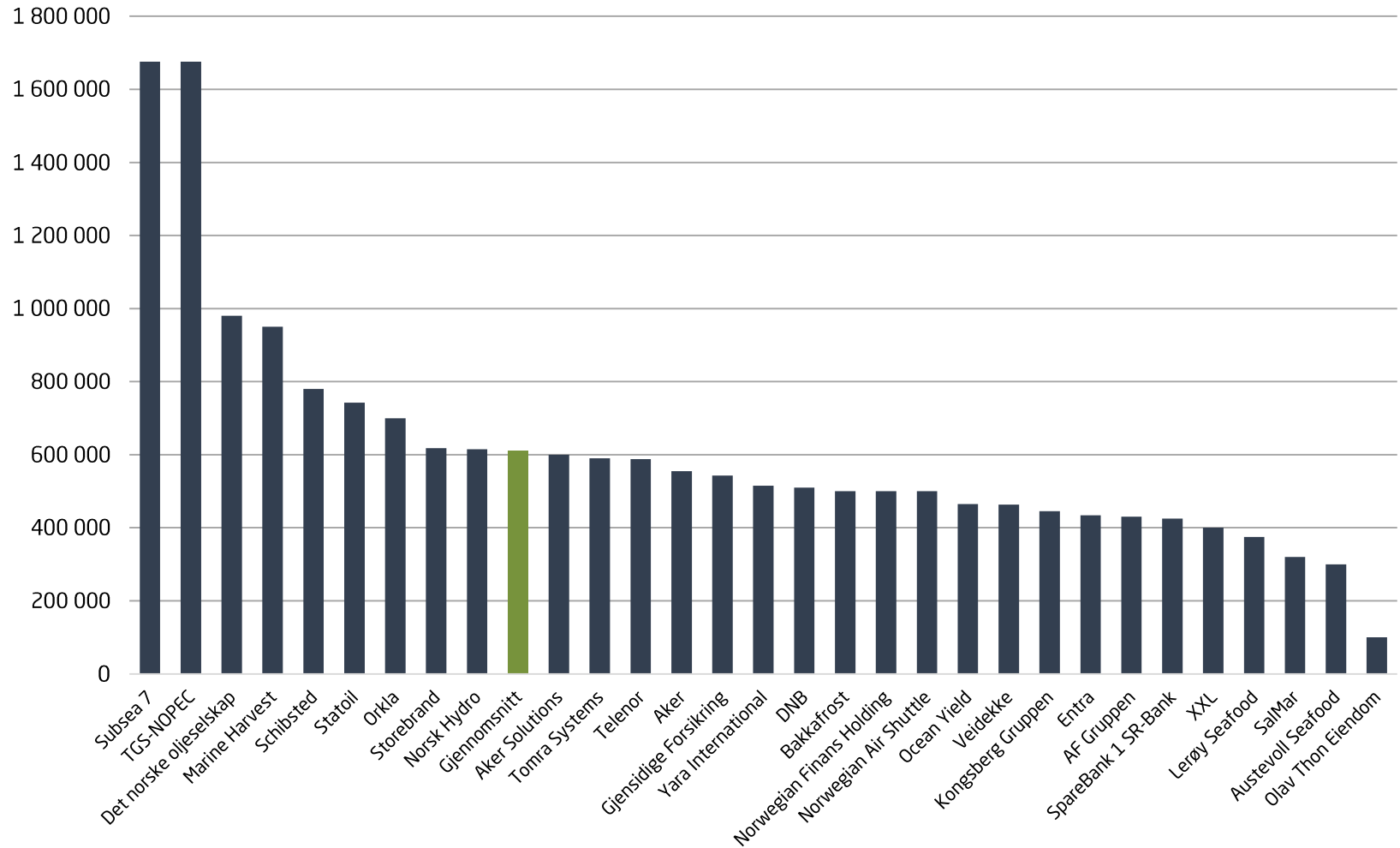
Chairperson 30 largest companies - by market value

Remuneration paid to chairpersons of the 30 largest companies listed on the Oslo Stock Exchange, by company's market value at 31 July 2016; highest market value (=Statoil) at left in the chart. Norwegian Finans Holding was listed in June 2016. Historical comparison figures for Austevoll and SpareBank 1 SR-Bank were not available for 2014. Aker Solutions was listed as a new company in September 2014. Entra and XXL were listed in October 2014.



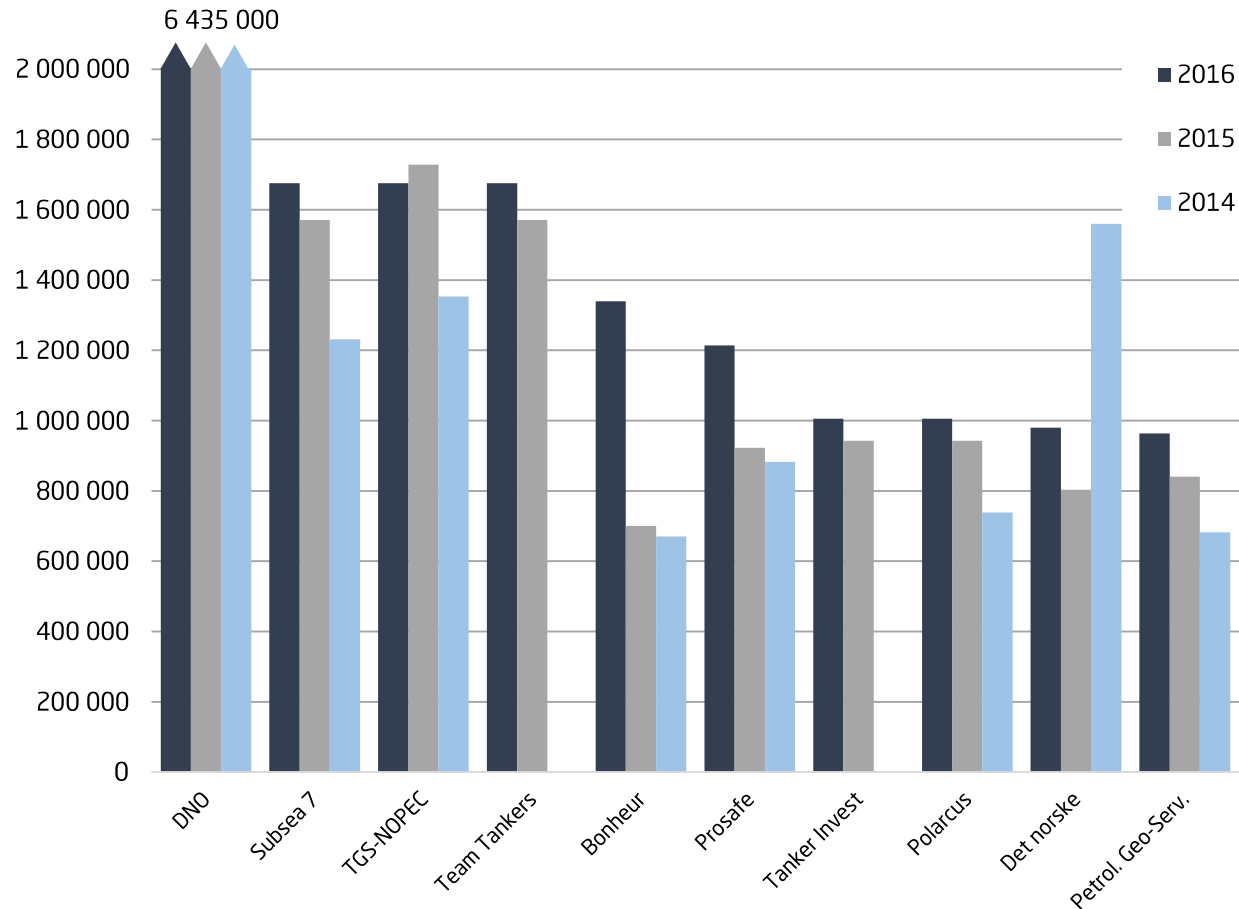
Chairperson 30 largest companies - by remuneration

Remuneration paid to chairpersons of the 30 largest companies listed on the Oslo Stock Exchange, by amount of remuneration (highest= Subsea 7 and TGS-NOPEC)



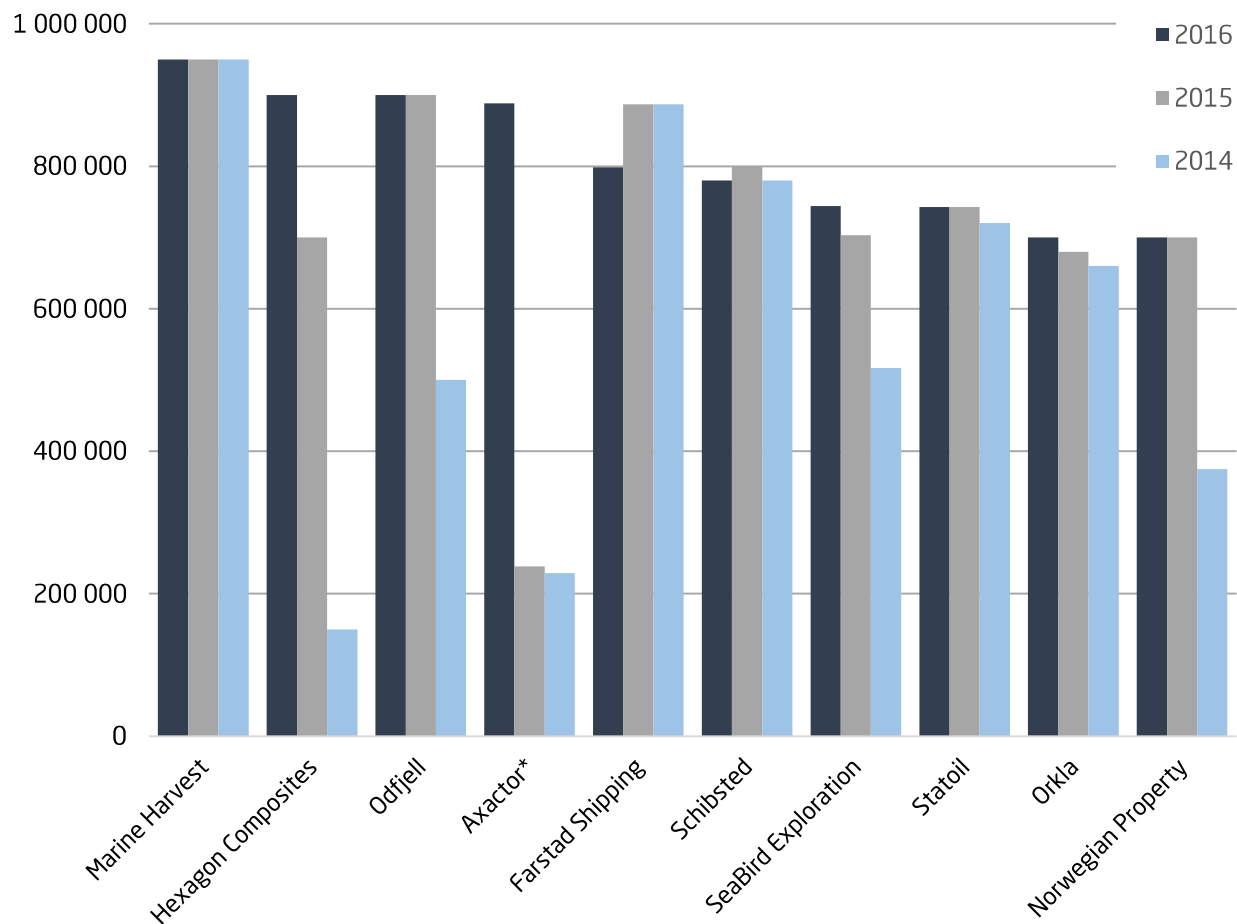
Remuneration chairperson - top 10

The chart shows the listed companies with the 10 highest board chairperson's remunerations in 2016. The 2015 and 2014 columns show the two preceding years per company. Team Tankers International and Tanker Investments were both listed on the Oslo Stock Exchange in March 2014.



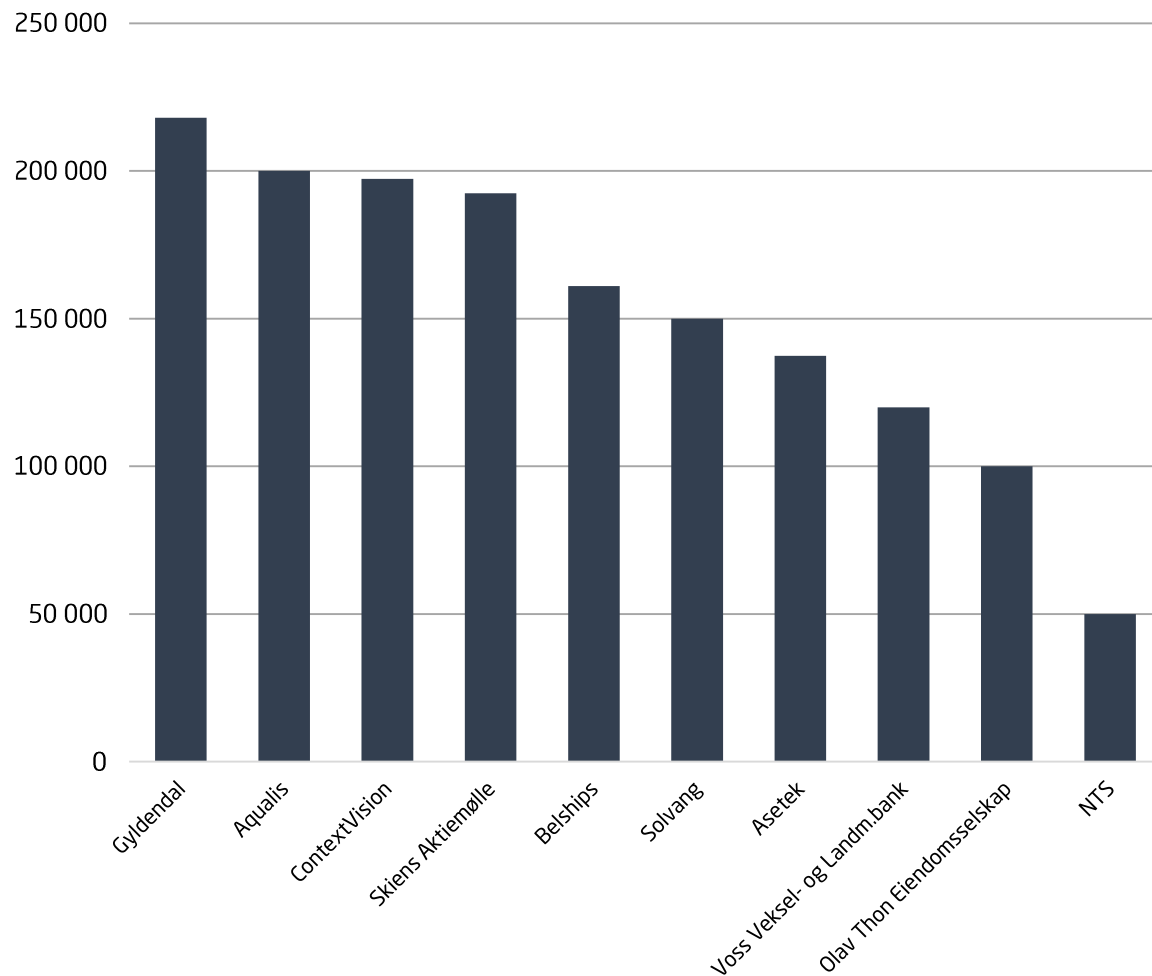
Remuneration chairperson - runners-up

The chart shows the listed companies with the 11th-20th highest remuneration paid to board chairpersons in 2016. The 2015 and 2014 columns show the respective two preceding years per company. (*Axactor changed names from Nickel Mountain Group).



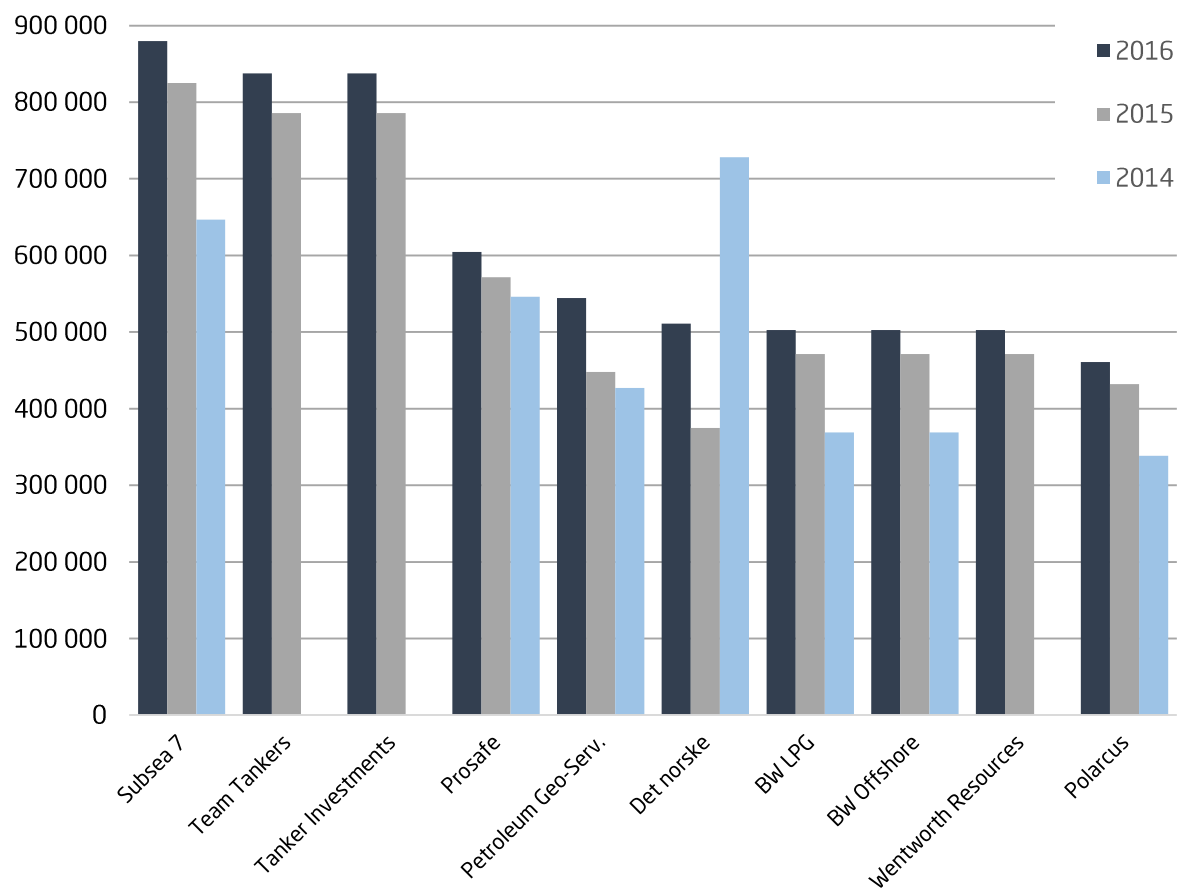
Remuneration chairperson - bottom 10

The chart shows the ten listed companies with the lowest remuneration paid to board chairpersons in 2016.



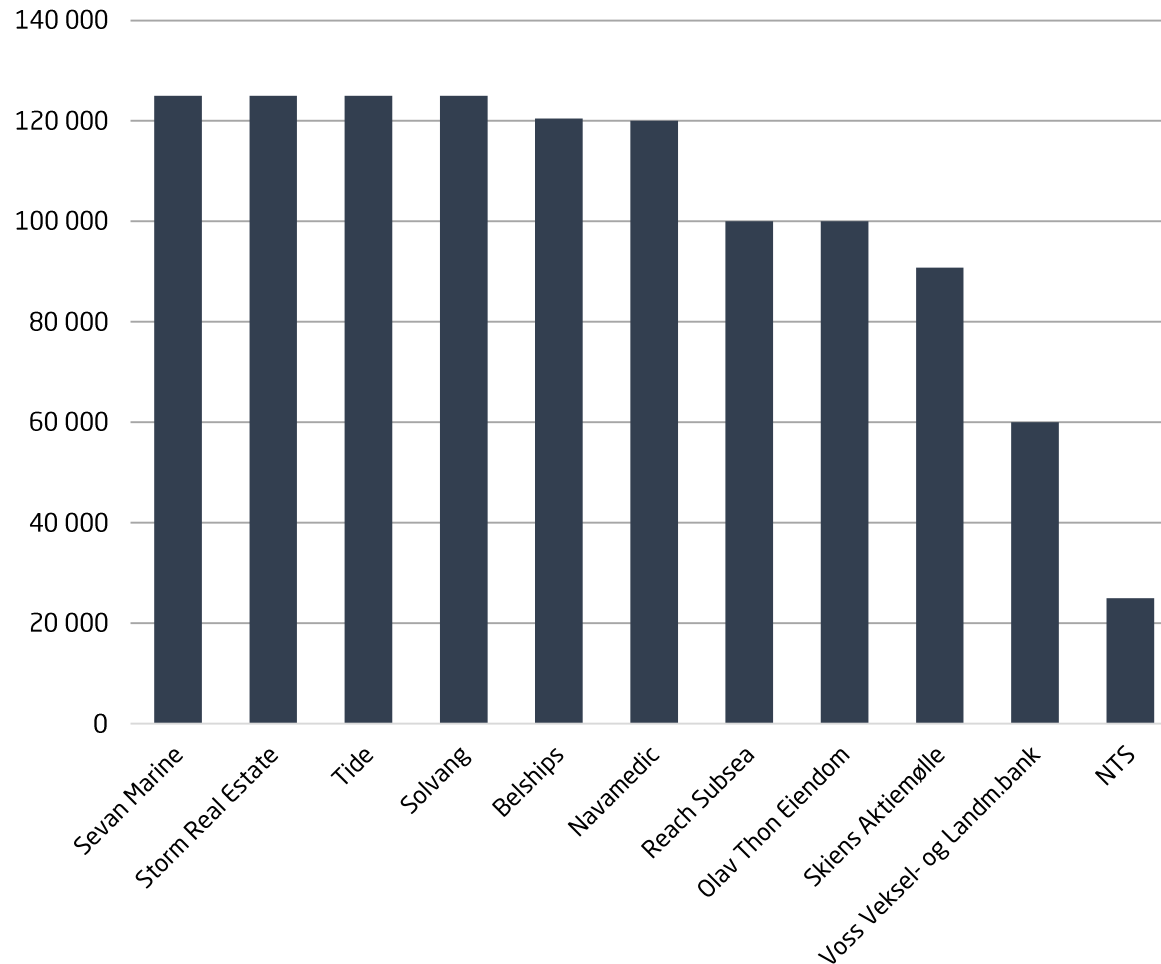
Remuneration board directors - top 10

The chart shows the listed companies that paid the 10 highest amounts of remuneration to board directors in 2016. The 2015 and 2014 columns show the respective two preceding years per company. Team Tankers International and Tanker Investments were both listed on the Oslo Stock Exchange in March 2014. Historical comparison figures for Wentworth Resources for 2014 are not available.

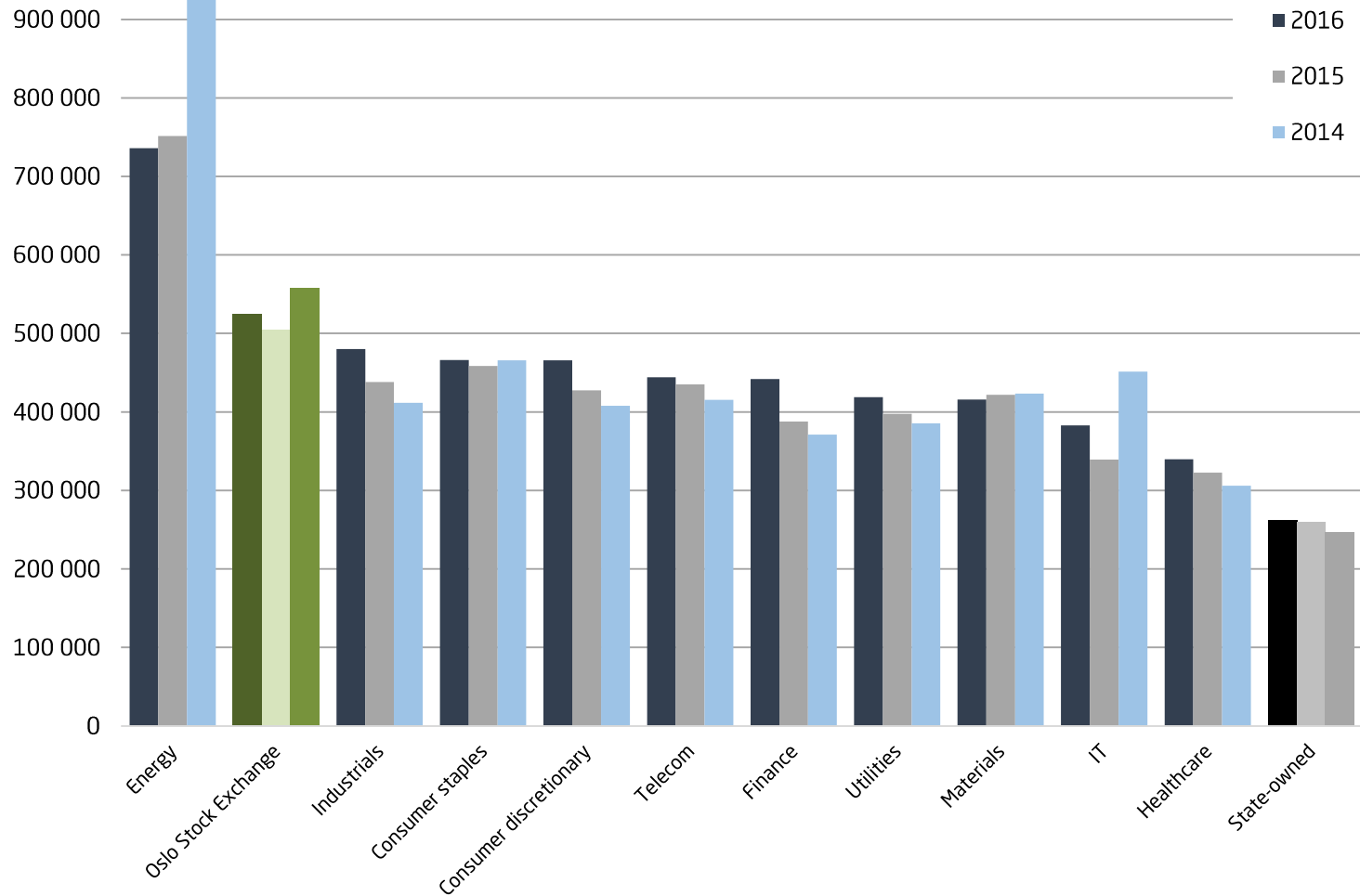


Remuneration board directors - bottom 10

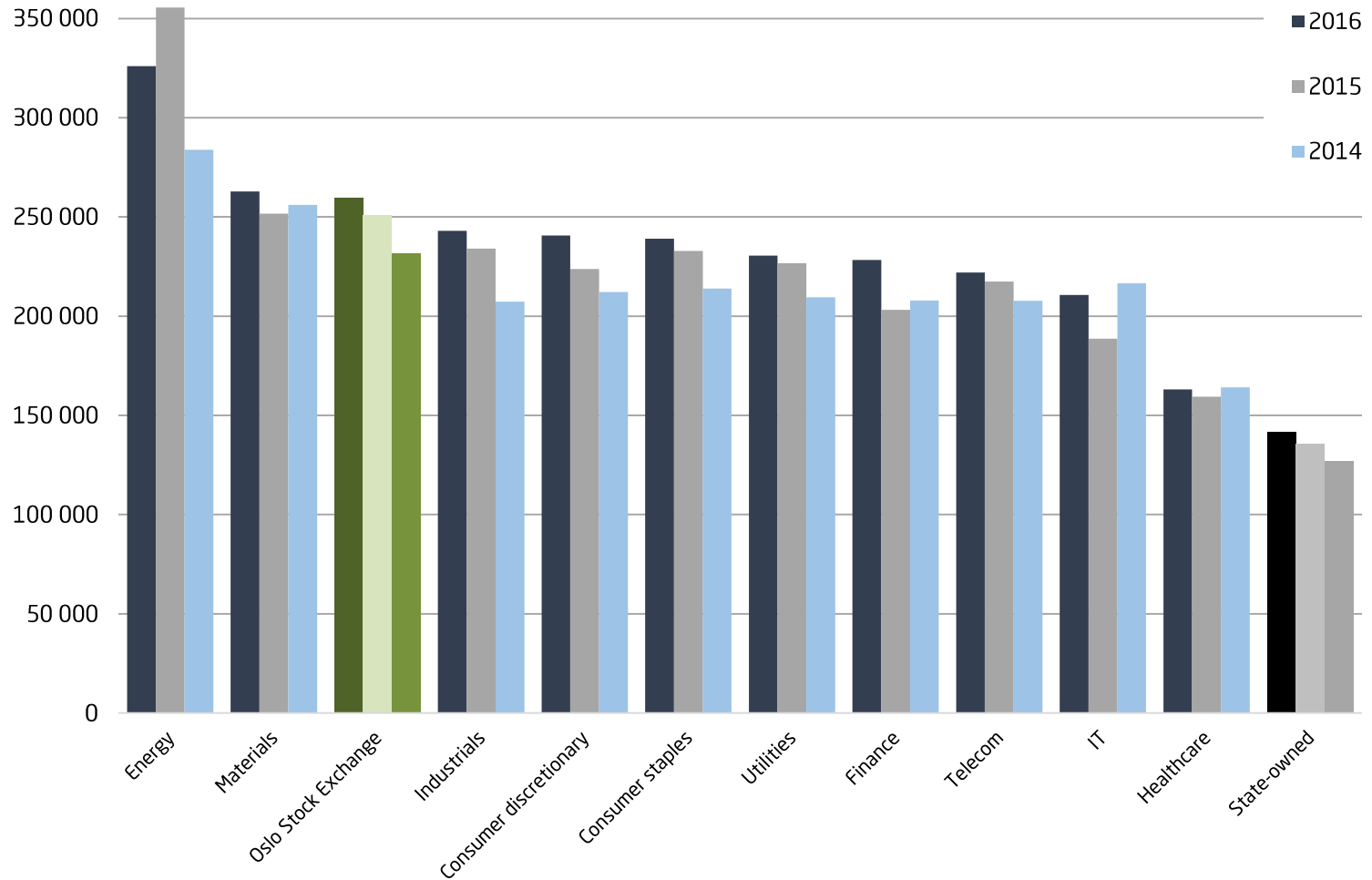
The chart below shows the bottom 10 board director fees in listed companies in 2016.



Average per industry - chairperson listed companies

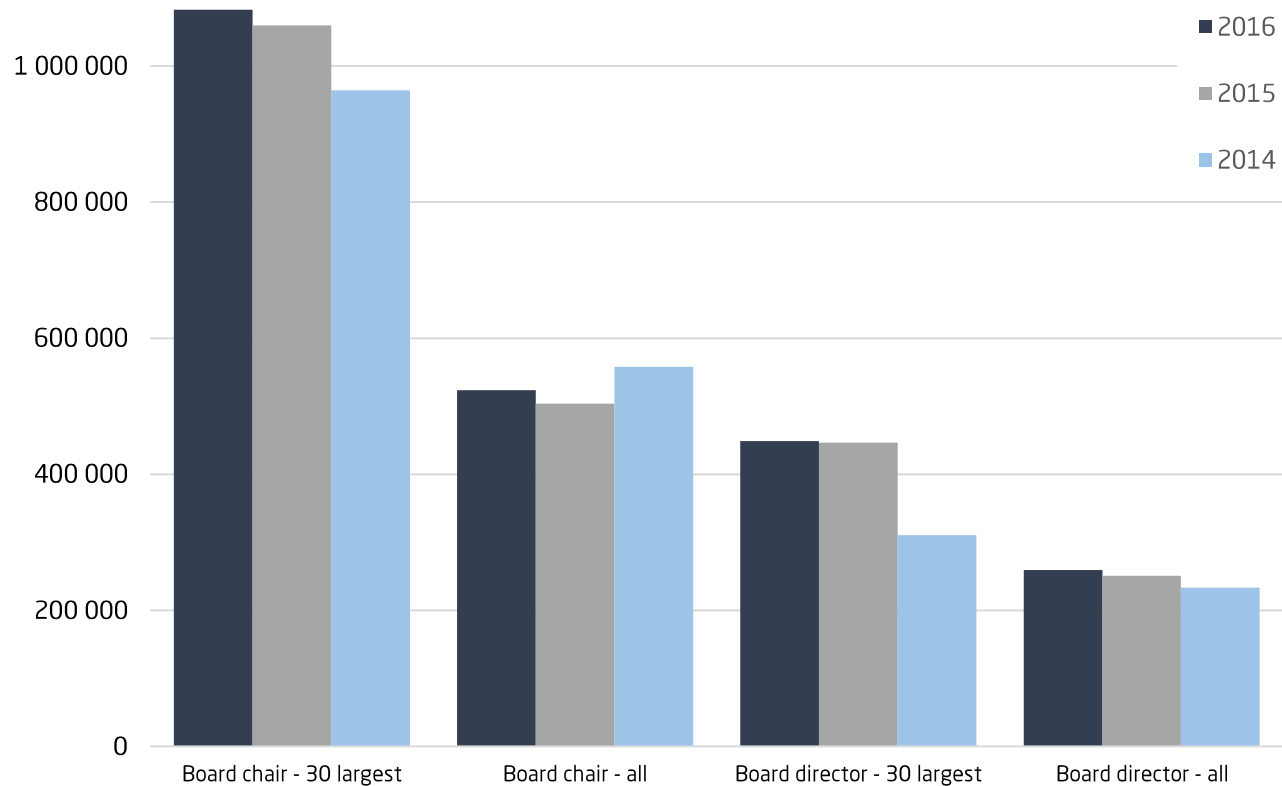


Average per industry - board director listed companies



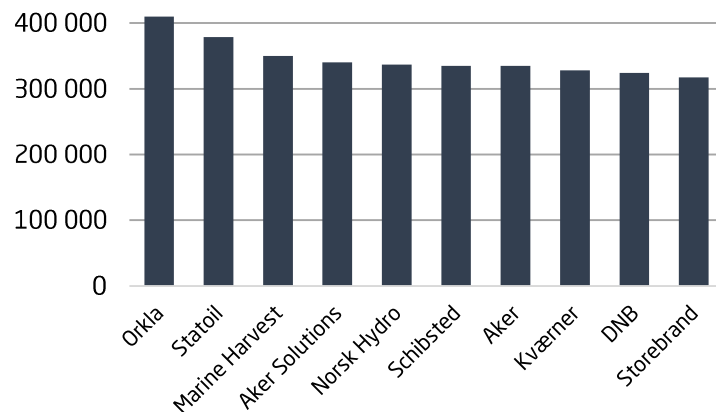
Average remuneration over three years

Includes, respectively, 30 largest companies and all companies.

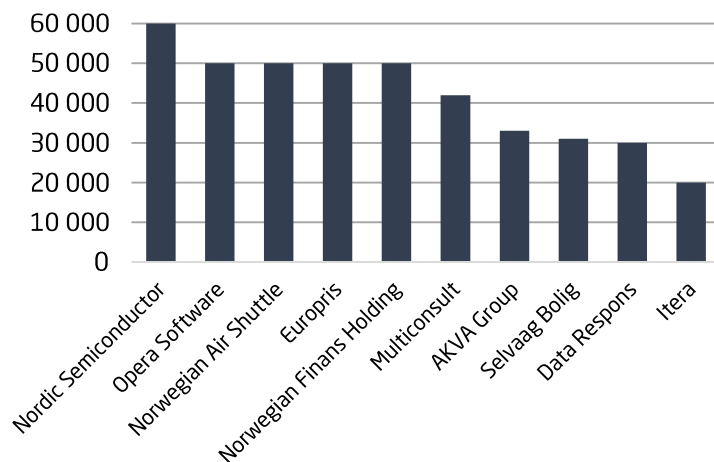


Remuneration – board directors elected among employees

Board directors elected among employees, listed companies - top 10



Board directors elected among employees, listed companies - bottom 10



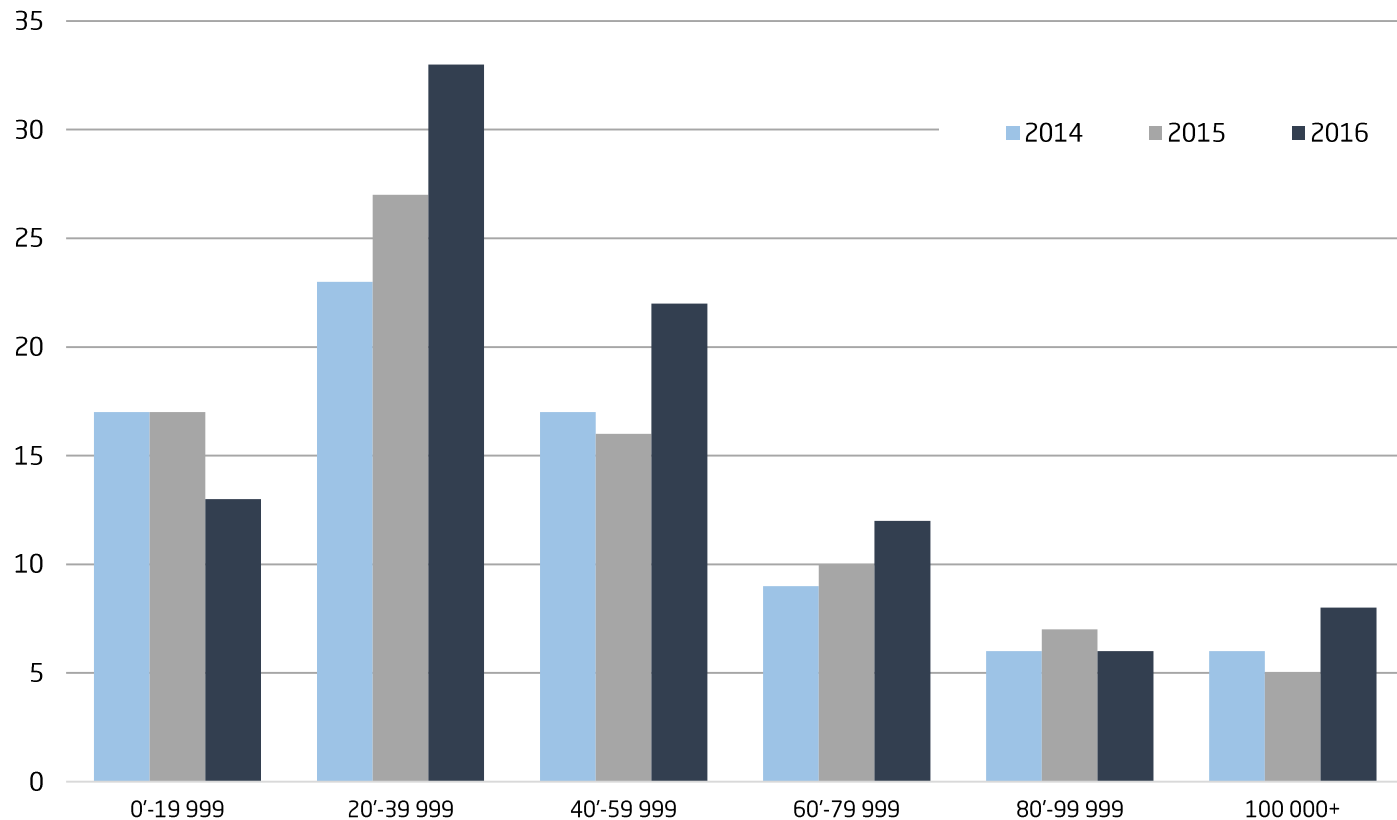
	Listed	State-owned	Number
2016	174 900	137 885	n=L50 S25
2015	178 402	131 933	n=L50 S33

Comments

- The table above shows average remuneration for the past two years for employee-elected board directors, in listed and state-owned companies, respectively.
- 24 (n=50) of the listed companies and 23 (n=25) of the state-owned companies that remunerate employee-elected board directors, pay the same amount to directors elected by shareholders and directors elected among employees.
- Among the listed companies that differentiate between directors elected by shareholders and directors elected by employees, directors elected by employees are paid from 10% to 88% of the regular board director fee.
- Remuneration paid to board directors elected among employees in state-owned companies ranges from NOK 10 300 to NOK 255 000.

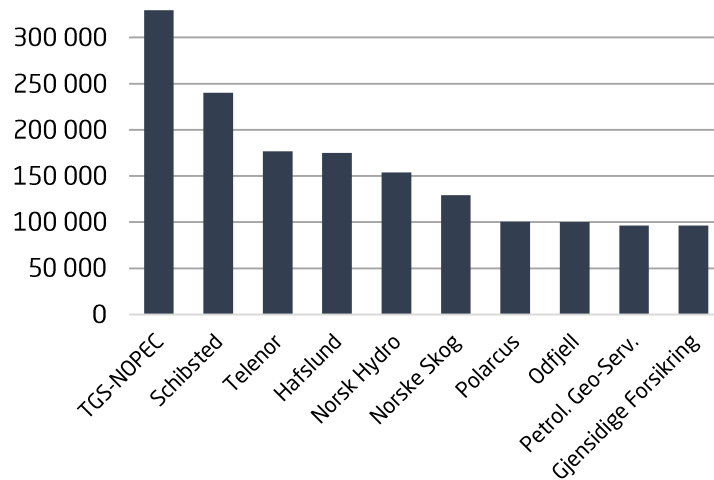
Nomination committee chairperson, no. of listed companies

The chart shows the number of companies per NOK 20 000 remuneration strata (chairperson/number of companies) over three years. The number of companies varies per year: 2014: n=78; 2015: n=82; 2016: n=94. See also page 11.

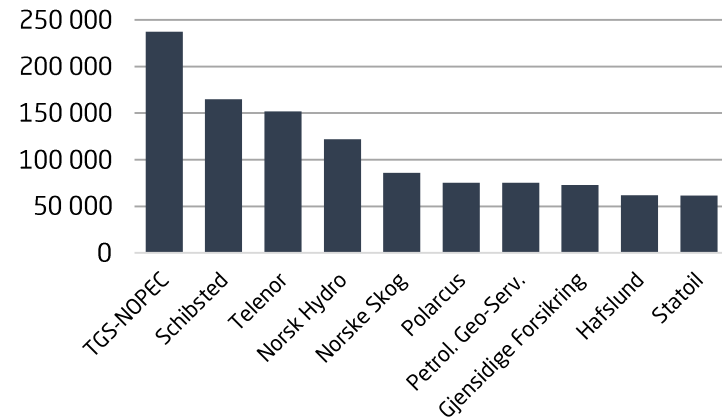


Nomination committee, listed companies - top/bottom

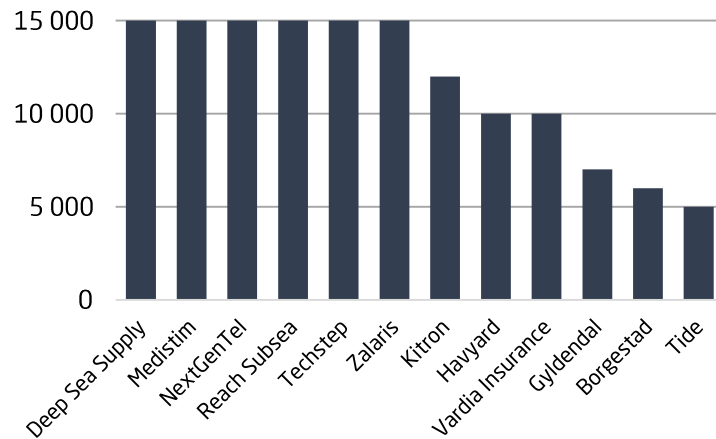
Remuneration chairperson nomination committee - top 10



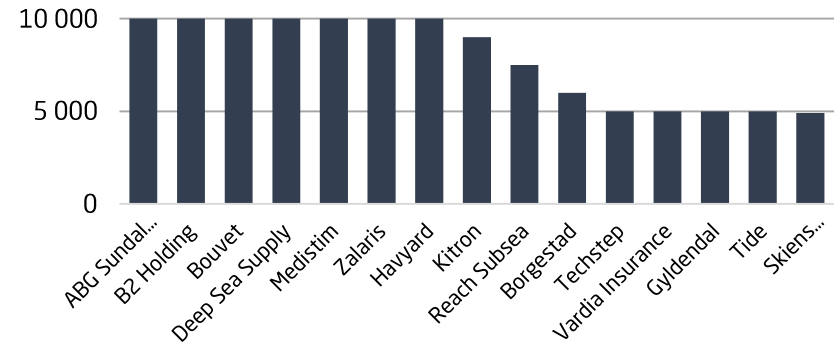
Remuneration member nomination committee - top 10



Remuneration chairperson nomination committee - bottom 12

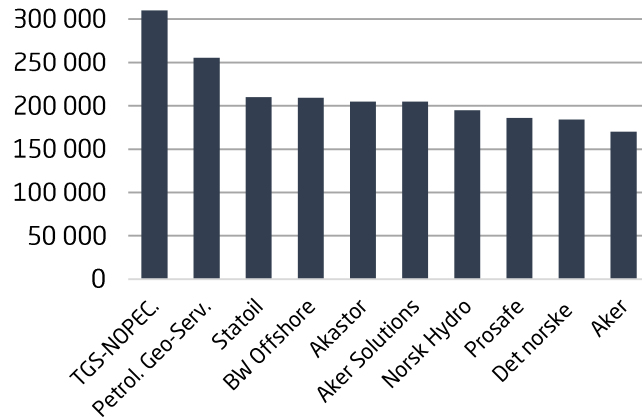


Remuneration member nomination committee - bottom 15

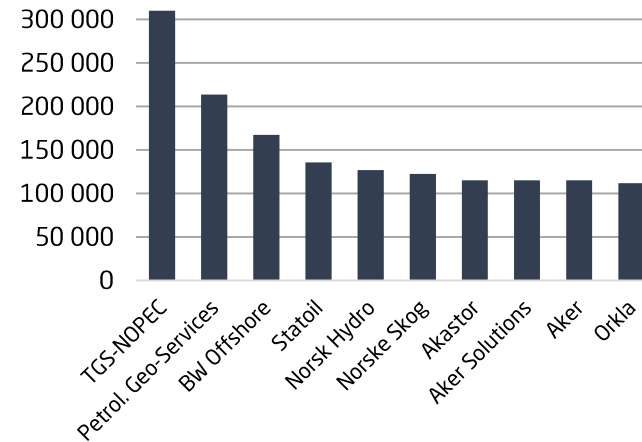


Audit committee, listed companies - top/bottom

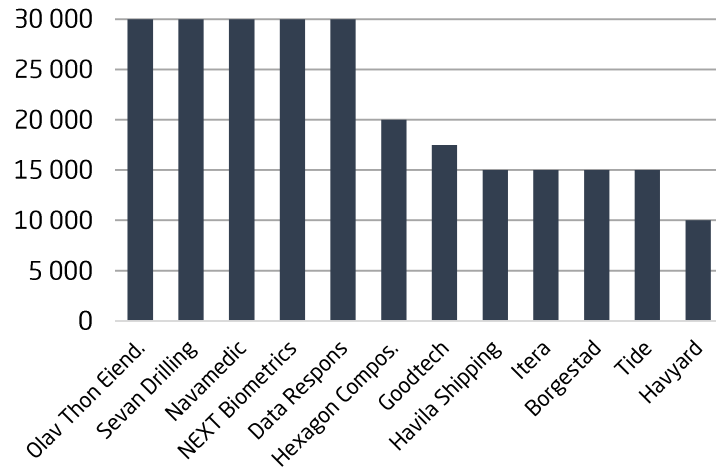
Remuneration chairperson audit committee - top 10



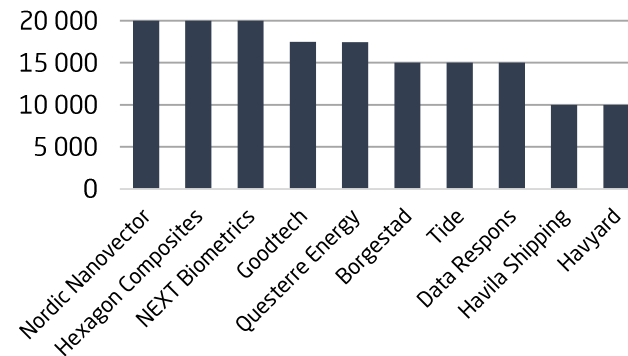
Remuneration member audit committee - top 10



Remuneration chairperson audit committee - bottom 12

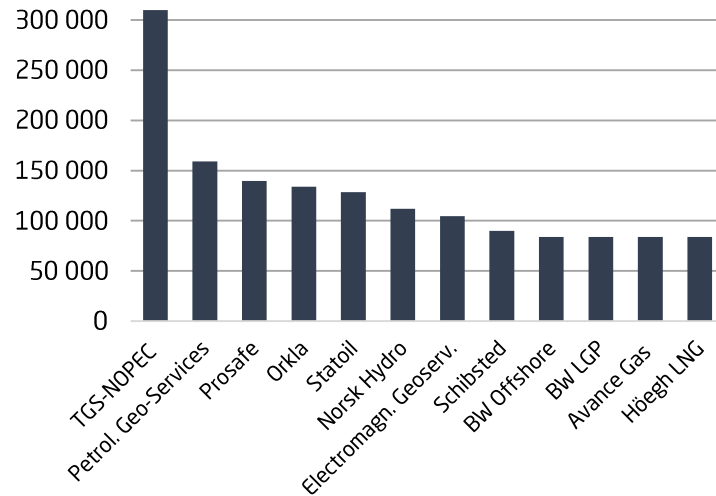


Remuneration member audit committee - bottom 10

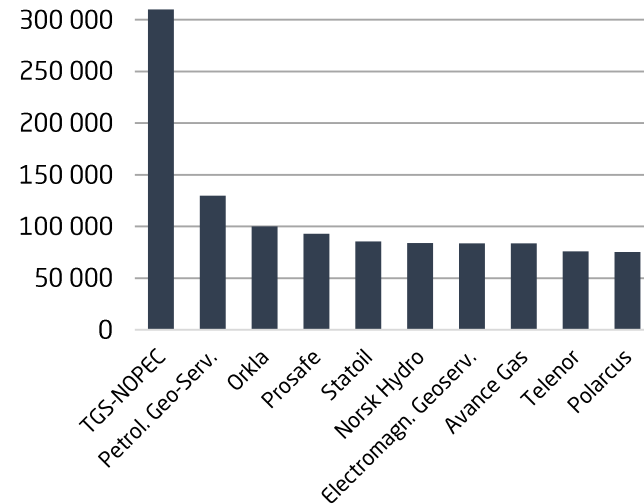


Compensation committee, listed companies - top/bottom

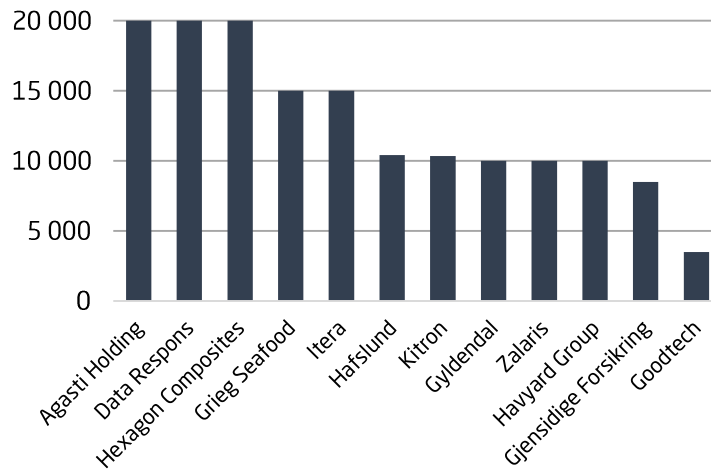
Remuneration chairperson compensation committee - top 12



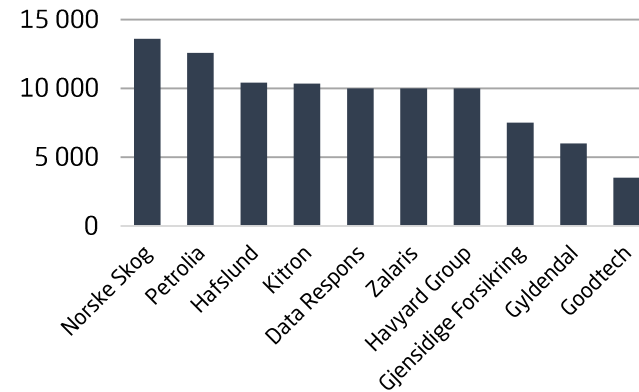
Remuneration member compensation committee - top 10



Remuneration chairperson compensation committee - bottom 12

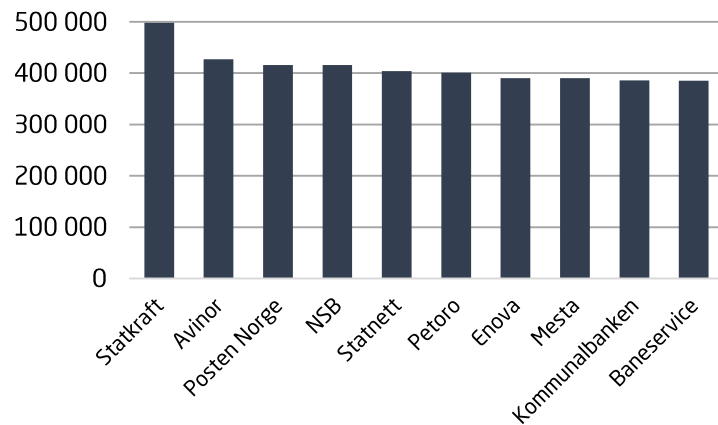


Remuneration member compensation committee - bottom 10

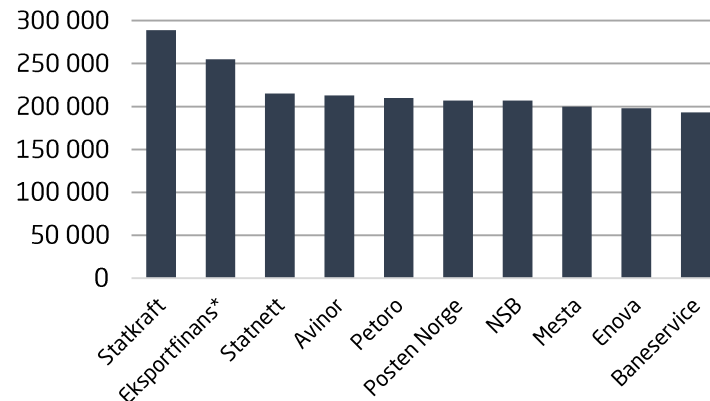


Wholly and partly state-owned companies - top/bottom

Remuneration chairperson state-owned - top 10

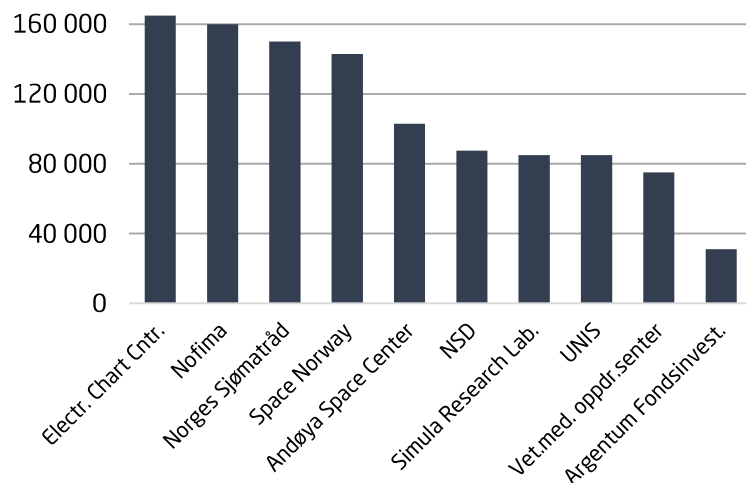


Remuneration board director state-owned - top 10

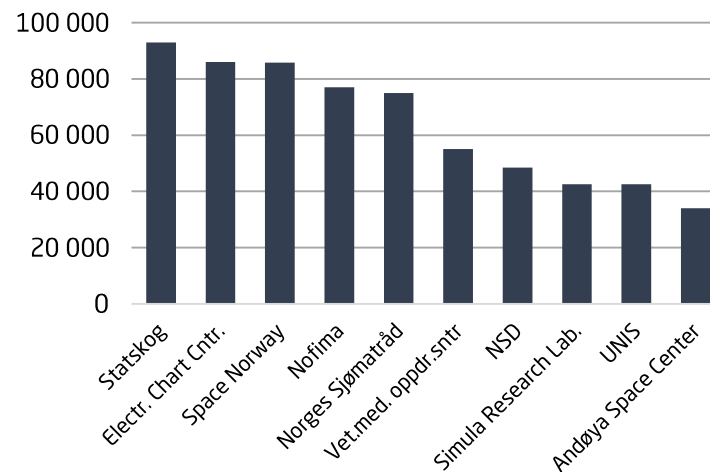


*Eksportfinans: State ownership 15%

Remuneration chairperson state-owned - bottom 10



Remuneration board director state-owned - bottom 10





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