



NORGES BANK
INVESTMENT MANAGEMENT

Directorate General for Justice and
Consumers
European Commission
1049 Brussels

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European Commission consultation on the draft guidelines on the presentation of the remuneration report

We refer to the *public consultation on the draft guidelines on the standardised presentation of the remuneration report under Directive 2017/828*, published by the European Commission on 1 March 2019. We appreciate the opportunity to contribute our perspective.

Norges Bank Investment Management (NBIM) is the investment management division of the Norwegian Central Bank and is responsible for investing the Norwegian Government Pension Fund Global. NBIM is a globally diversified investment manager with EUR 160.6 billion invested in equities and EUR 83 billion in fixed income in the EU.¹ We are a long-term investor, working to safeguard and build financial wealth for future generations.

Following the introduction of “say on pay” in many markets, NBIM published its views on executive remuneration in 2017². Our starting point is that a CEO’s remuneration package should 1) incentivise him or her to work towards long-term value creation and 2) seek to align CEO and shareholders’ interests.

To achieve this, we recommend a simple approach where part of the total annual remuneration is paid in cash and a substantial proportion of the total annual remuneration in shares of the company, locked-in for five to ten years. The lock-in should be maintained beyond resignation or retirement. Requiring the CEO to invest a meaningful part of his or her remuneration in company shares is a transparent way of aligning the interests of the CEO with those of shareholders and the wider society.

For investors to evaluate and vote on the remuneration plan, there needs to be transparency. Transparency will also limit the prospect of unanticipated and outsized awards. Therefore, we expect the board to disclose the CEO’s total annual remuneration and set a ceiling for the coming year. The total annual remuneration may contain a variable element, which reflects strategic, operational and financial achievements in the year, but this should not go beyond the stated ceiling.

¹ As at end December 2018

² NBIM, [position paper](#) on CEO remuneration, 2017



In our view, long-term incentive plans, with a series of performance conditions over many years, are often ineffective, and too complex. In practice, boards often adjust, supplement or rebalance metrics during the measurement period, which may lead to biased outcomes. Such performance conditions can also encourage short-term behaviour.

We welcome the Commission's efforts to establish guidelines for a clear and understandable remuneration report. We responded to the online questionnaire, with some suggestions for increased transparency. Overall, we encourage companies to move away from long-term incentive plans, towards a simpler framework with long-term equity ownership. We believe this would result in more transparent pay practices.

We appreciate your willingness to consider our perspective, and we remain at your disposal should you wish to discuss these matters further.

Yours faithfully

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