

CEO pay landscape in Europe's Top 100 companies

Detailed insights into regulatory developments and CEO pay levels and structures

Autumn 2018

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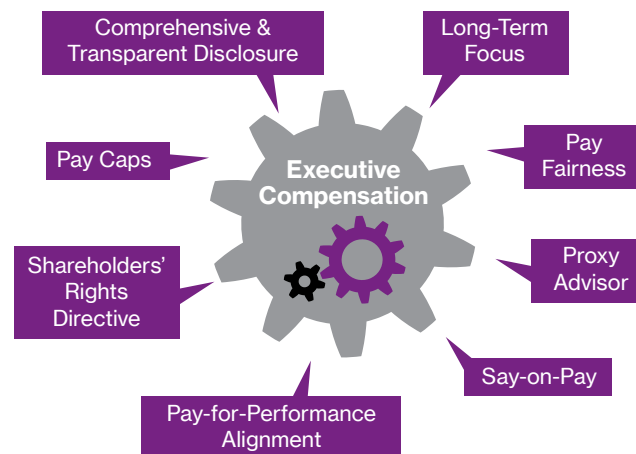


Introduction and 2017 highlights

Introduction

What's driving executive compensation changes in Europe?

The Shareholders' Rights Directive (SRD) is the key driver influencing Executive Director compensation in forthcoming years. A small number of countries have published implementation drafts, while others are still awaiting further guidance. In the past year we have observed increasing shareholder pressure on exceptionally high pay levels and a further alignment in pay practices across Europe. Alongside this, we see that pay levels for almost every element analysed remained stable. In relation to incentive design, companies are concentrating on reviewing metrics and amending their calibration – with a focus on both weighting and defining payout curves. We are also seeing an increasing focus on pay fairness, which has largely been driven by public opinion. In this context, the discussion is not only focused on CEO pay ratios, but also on gender pay reporting and boards taking into consideration the views and interests of employees.



Yours sincerely,

Jessica Norton
Great Britain Leader,
Executive Compensation Practice

Sven Slavenburg
Western Europe Leader,
Executive Compensation Practice

The 2017 report

- Our sixth Europe's Top 100 report covers 98 companies within the STOXX All Europe 100 which had published their remuneration reports as at June 30, 2018. Please find a complete list of all Europe's Top 100 companies at the end of this report.
- In total remuneration levels of 95 CEOs are considered in the actual compensation analysis. Two Russian companies could not be considered due to limited disclosure, two CEOs have been excluded because they were not in office for the full financial year 2017 and one company did not have a CEO in place.

2017 highlights

- Compared to previous year the median actual total direct compensation increased by almost 5%. However, the analysis reveals that over the past three years changes in median pay levels are minor and rather remained stable across all compensation elements.

Figure 1. **Three-year comparison of remuneration elements for Europe's Top 100 CEOs**





Regulatory developments across Europe

Similar developments with a focus on
SRD implementation across Europe

Sweden

Draft regulation for implementation of SRD suggest the annual binding vote on policy to remain. The scope of the policy and disclosure details of executive pay is expected to increase, but the level of disclosure is expected to remain relatively low.

UK

Register of companies with <80% vote on AGM resolutions (incl. pay, directors election). New regulations effective 1 Jan 19: CEO vs UK employee pay ratios. Disclosure of how employees and stakeholders' views were taken into account.

New code effective 1 Jan 19 includes requirement for 5 year time horizon for LTI; post leaving shareholding requirement; discretion to override formulaic pay outcomes; pension to be aligned with broader workforce.

Belgium

Introduction of an advisory vote on remuneration policy. Required implementation of clawback provisions. Share-based remuneration for Non-Executive Directors (new code not issued yet).

France

New regulation introducing binding annual vote on both the policy (from 2017) and the actual pay outcomes (from 2018). Women on boards regulation. Gender pay being examined.

Spain

Binding vote on policy, advisory vote on remuneration report. Revised report for FY18 with higher content requirements and possibility to present a more visual lay-out. Very high compliance rates on corporate governance code standards.

Netherlands

Financial Services: 20% variable pay cap.
General Industry: Disclosure of internal pay relativities – CEO pay ratio. Clawback arrangements are legally required.

Finland

Advisory vote on CEO remuneration policy in 2020 and annual advisory vote on remuneration report as of 2021. Additional disclosure requirements will have a significant impact.

Denmark

Recommended binding vote on policy and binding vote on incentive-based pay (no change). A trend towards more pay transparency and simplicity.

Germany

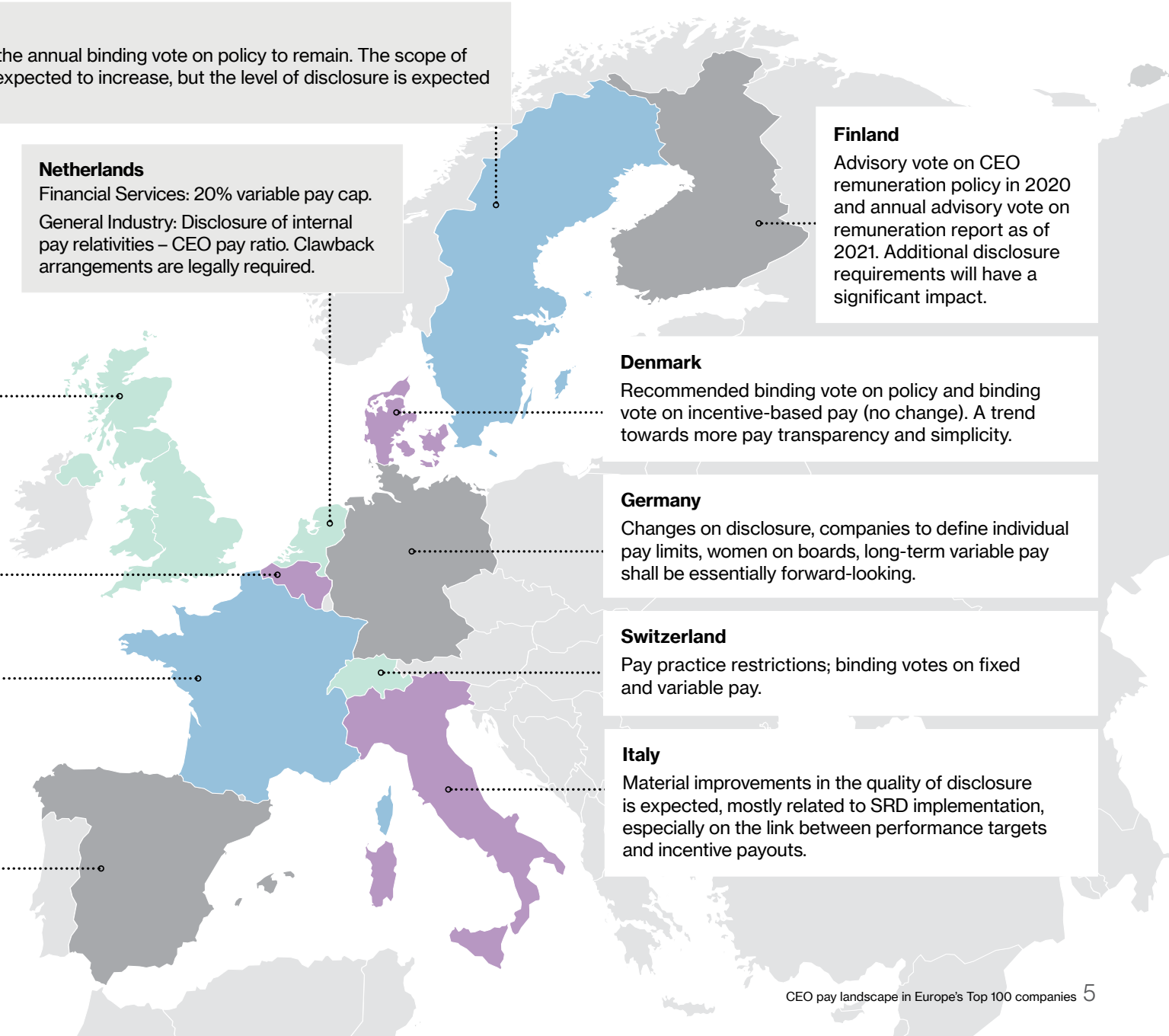
Changes on disclosure, companies to define individual pay limits, women on boards, long-term variable pay shall be essentially forward-looking.

Switzerland

Pay practice restrictions; binding votes on fixed and variable pay.

Italy

Material improvements in the quality of disclosure is expected, mostly related to SRD implementation, especially on the link between performance targets and incentive payouts.



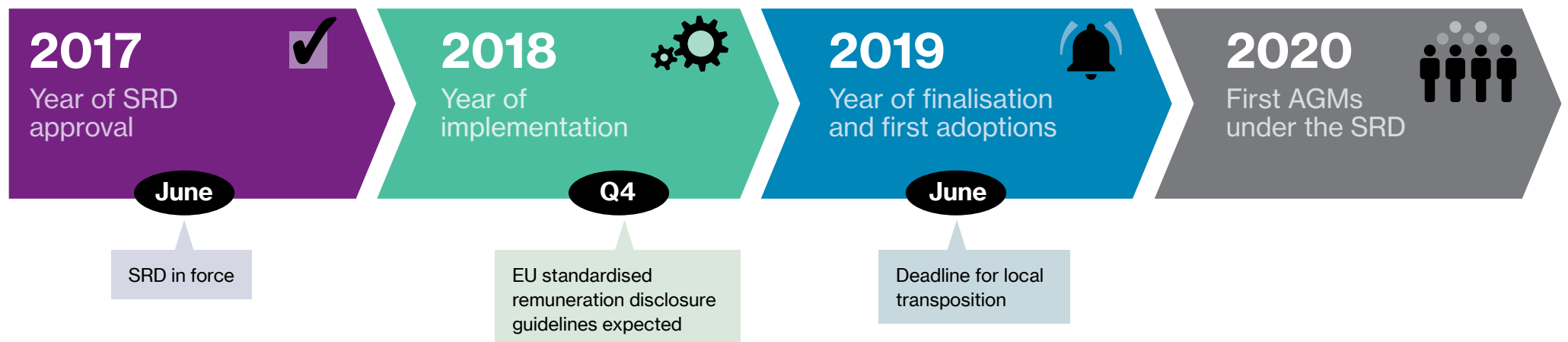
Shareholders' Rights Directive

Binding regulation to strengthen shareholder power across EU member states

- The focus of the revised SRD is to strengthen shareholders' engagement in large European companies and to increase transparency.
- According to the SRD, shareholders may vote on two separate items:



- A year since the adoption of the SRD, many countries have yet to publish their transposition of the Directive into local law.
- The SRD provides some flexibility and as can be already observed, may be implemented differently between countries.



Current status on say-on-pay and influence of proxy advisors

Say-on-pay voting is not yet aligned across European countries and perceived influence of proxy advisors (such as ISS) continues to differ. Although the SRD allows for flexibility in its

transposition to local regulations, its implementation should drive the alignment of say-on-pay practices across Europe. This can already be observed amongst the early adopting countries.

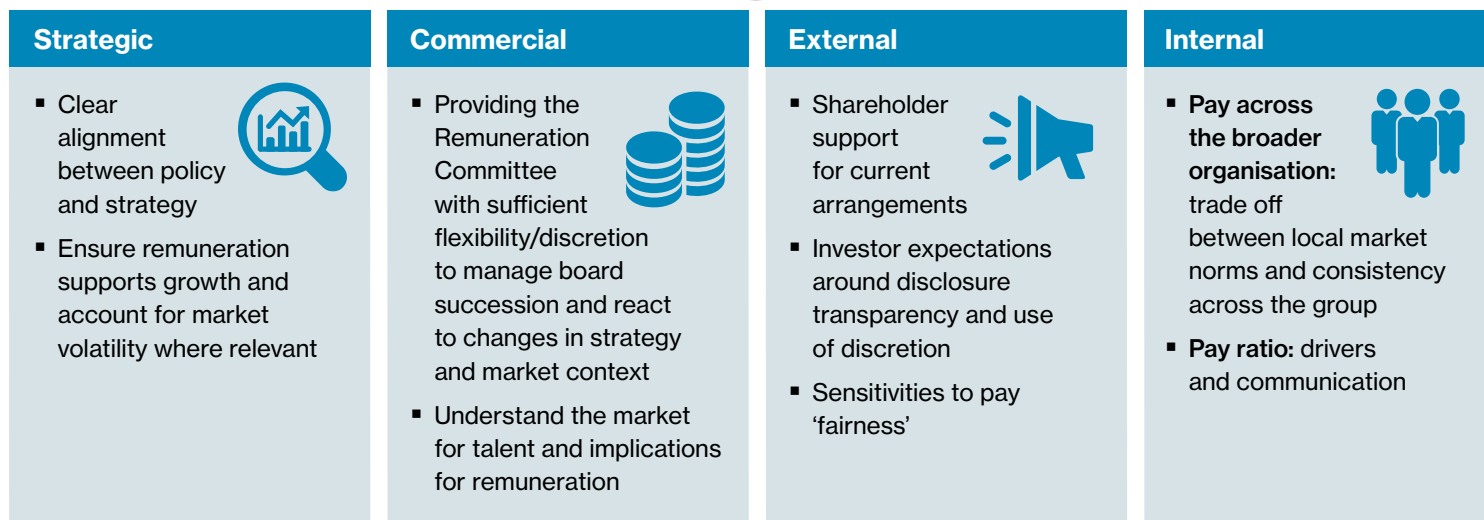
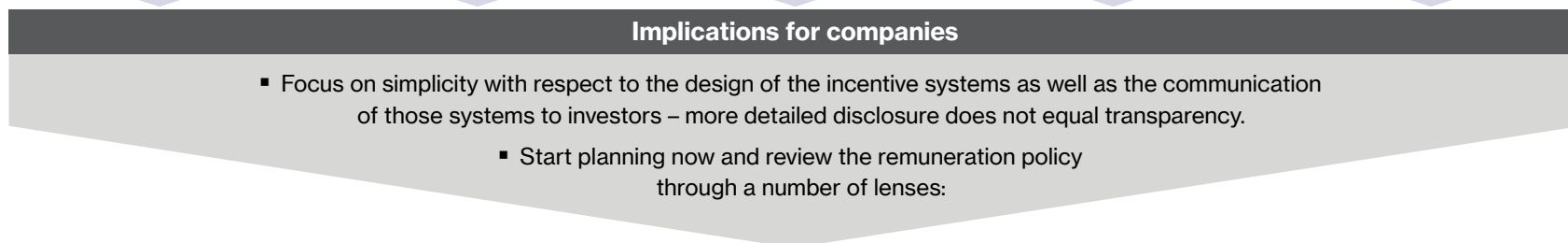
Figure 2. Overview current say-on-pay practice across Europe

Country	Current say-on-pay practice		Influence of proxy advisors
	Binding vote	Advisory vote	
Belgium	–	Annual vote on remuneration report each year. Vote on remuneration policy	High
Denmark	Non-annual binding vote on incentive-based pay (introduction and amendments)	Recommended vote on policy (introduction and amendments)	Low
Finland	–	Annual vote on remuneration report (from 2021). Vote on remuneration policy every fourth year (from 2020)	Low
France	Annual vote on both policy and remuneration paid	–	High
Germany	The introduction of share-settled plans, only, require shareholder approval	On shareholder request, remuneration policy (usually proactively in cases of policy change)	Medium
Italy	Binding annual remuneration policy vote is applicable only to banks	For all listed companies annual on remuneration policy (binding for banks)	Medium, but increasing
Netherlands	The remuneration policy shall be submitted to approval by the shareholders at least every four years (draft legislation)	Shareholders of large companies will be given the right to hold an advisory vote on the remuneration report in the AGM (draft legislation)	Low to Medium
Spain	Every three years on policy	Annual vote on remuneration paid	Medium
Sweden	Annual on policy and on any share-related LTI plans. Draft SRD regulations suggest annual binding vote on the new remuneration report	Advisory votes are per judicial definition not possible	Low
Switzerland	Annual on aggregate compensation of Executive Compensation	Best practice: advisory vote on compensation report, but no obligation to do so	Low
UK	At least every three years on policy	Annual advisory vote on implementation/remuneration paid (proposal to make binding)	High

Shareholders' Rights Directive

Investor views on SRD and implications for companies

The views of investors on current disclosure practice varies significantly by country, but there are some commonalities:



Fair pay

Developments across Europe

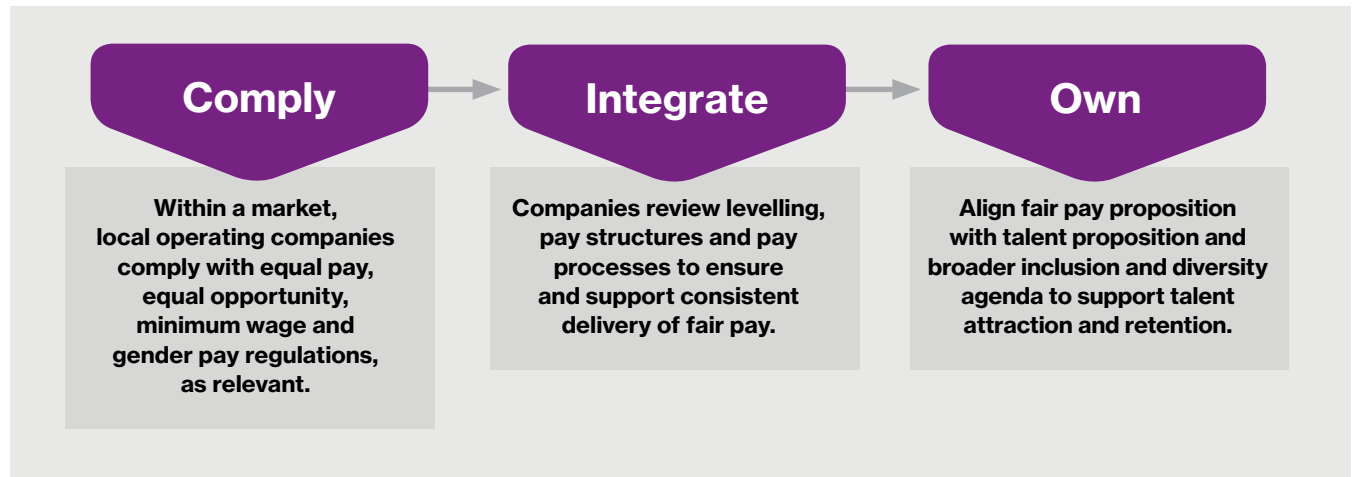
- The SRD requires companies to explain how they are taking pay across the organisation into account when setting director remuneration. Remuneration Committees need to be familiar with broader trends.
- Driven by emerging legislation, shareholder activism, demographic shifts and public opinion, the focus on pay fairness continuous to increase. The discussion is more diverse than focusing on CEO pay ratios only – it also covers equal pay, minimum wage, gender pay reporting, female representation on boards and a broader inclusion and diversity agenda.
- Within Europe, we have seen governments stepping in to increase the disclosure requirements around equal pay, gender pay and diversity – Germany, France and Ireland. The spectrum of requirements is changing. The current status is shown on the right.



Fair pay


Company responses

- We are starting to see more companies move from a compliance-driven approach to the fair pay agenda, to incorporating it as part of their overall employee proposition. The common business driver is the need to appeal to and recruit more diverse talent to support future business success.



- The most typical entry point is analytics to understand the current position on equal pay and equal opportunity in each market.



An aerial photograph of a park or campus area. The image shows a network of paved paths that intersect and branch out across a green lawn. There are numerous trees, some with vibrant autumn foliage in shades of red, orange, and yellow, while others are still green. The overall scene is bright and well-maintained.

Analysis of actual total direct compensation

Europe's Top 100 CEO pay levels

Figure 3. Statistical analysis on pay levels for Europe's Top 100 CEOs

	n**	Chief Executive Officer*			
		Average	Lower Quartile	Median	Upper Quartile
Base Salary	95	€ 1,525,579	€ 1,148,328	€ 1,366,689	€ 1,621,980
Target Bonus (% of Base Salary)	88	110%	89%	100%	125%
Actual Bonus (% of Base Salary)	91	141%	101%	135%	167%
Maximum Bonus (% of Base Salary)	88	195%	138%	200%	228%
Target Total Cash	91	€ 3,142,665	€ 2,177,000	€ 2,810,465	€ 3,880,526
Actual Total Cash	94	€ 3,590,486	€ 2,481,375	€ 3,202,234	€ 4,423,898
LTI Expected Value (% of Base Salary)	86	184%	95%	167%	234%
Target Total Direct Compensation	90	€ 5,432,001	€ 4,029,000	€ 5,220,634	€ 6,715,269
Actual Total Direct Compensation	93	€ 5,885,081	€ 4,306,689	€ 5,732,307	€ 7,522,484
Revenues (millions)***	71	€ 47,662	€ 17,613	€ 31,263	€ 53,293
Employees***	95	107,702	38,740	83,200	133,135
Market Capitalisation (millions)***	95	€ 64,193	€ 33,747	€ 48,062	€ 80,288

- As mentioned earlier in this report, pay levels remained stable compared to last year's data. Median base salary levels slightly decreased (-2%), actual bonus payouts for fiscal year 2017 (paid out in 2018) slightly increased by nine percentage points, granted LTI values remained unchanged, thus, actual total direct compensation only slightly increased by almost 5%.
- The same can be observed for target compensation levels: due to constant target bonus and LTI grant levels, target total direct compensation also remained stable with an increase of 0.4%.
- Analysis is limited to those companies that disclose sufficient detail with regard to target bonus, maximum bonus, and LTI awards, and is also limited to incumbents that have served for the full financial year.
- Definitions of each pay element and details regarding LTI valuation methodology are included at the end of this report.
- Statistics are company weighted and independently arrayed.

* Note that only those incumbents that served in their respective position for the full financial year have been included.

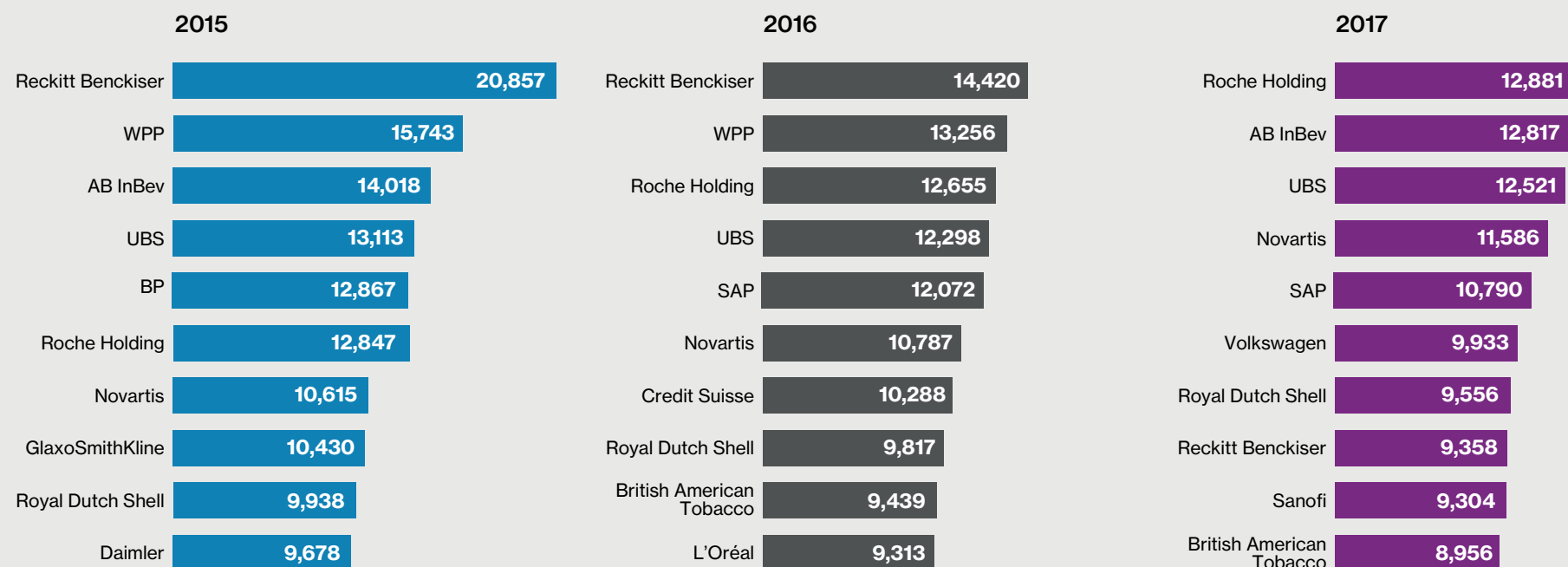
** Indicates the number of companies that are contributing to the statistics.

*** Statistics of revenues, employees and market capitalisations include only those companies that are part of the TDC analysis above.

Top 10

- We observe that actual total direct compensation (TDC) levels amongst the top 10 decreased over the past three financial years: the average actual TDC of the top 10 decreased from EUR 13 million in fiscal year 2015 to EUR 10.7 million in fiscal year 2017.
- The list of companies that rank in the 'Top 10 actual TDC' has remained relatively consistent over the past three years. Plus, the majority of changes that can be observed have been linked to changes of CEO, as opposed to changes to remuneration policy and payouts. However, certain companies have made their way onto the list due to company success and/or based on redesigns of their respective compensation designs.

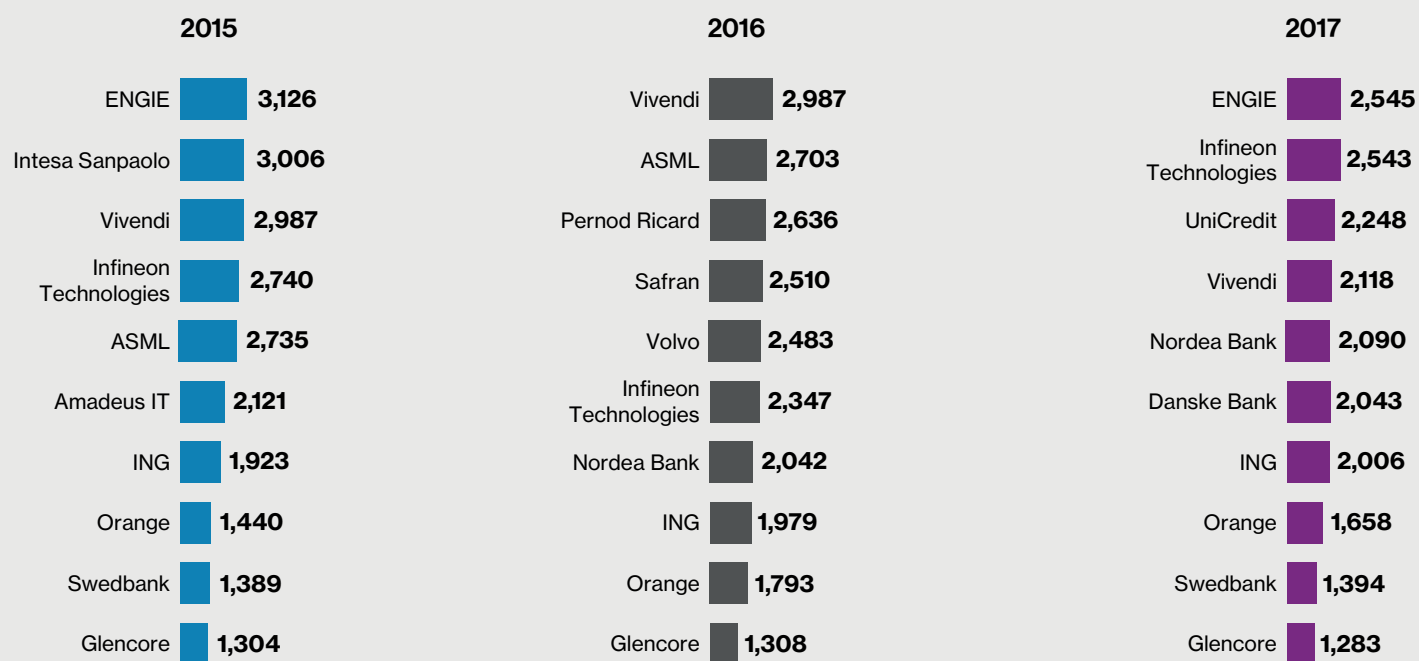
Figure 4. Top 10 actual TDC – Financial year 2015-2017 (all values in k €)



Bottom 10

- Among the bottom 10, companies smaller in size and those operating in regulated industries can be found.
- Also average actual TDC levels of the bottom 10 have decreased over the past three years: from EUR 2.3 million for fiscal year 2015 to EUR 1.99 million for fiscal year 2017.

Figure 5. **Bottom 10 actual TDC – Financial year 2015-2017**



Median actual total direct compensation by country

Based on median actual TDC levels, Switzerland again remains in the leading position, followed by UK, Germany and Italy.

Some significant changes can be observed in Switzerland, Germany, Italy and BeNeLux. Those changes are partly driven by changes in incumbents, i.e. CEOs that could not be included in one of the financial years. Especially in countries with smaller data samples this can have an impact on median levels.

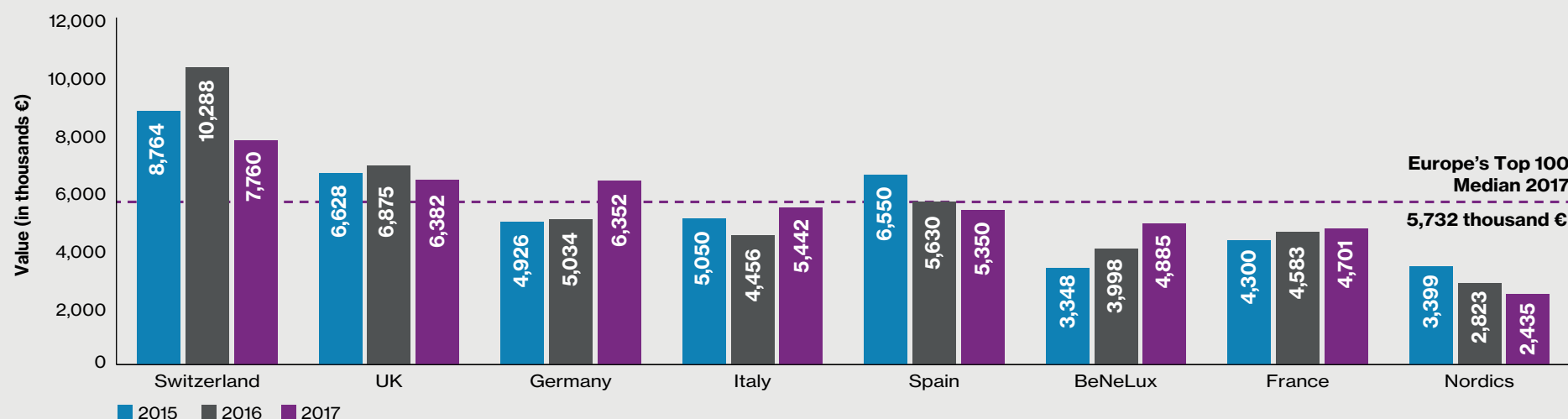
- **Switzerland:** A significant decline is observed and could be attributed to an observed decrease in pay levels at two of the comprising companies.

However, the change also needs to be considered in the context of a smaller sample size compared to previous years.

- **UK:** Decline of 7% is driven by an observed decline in actual TDC levels for the majority of sample companies.
- **Germany:** Actual TDC increased for the majority of companies. In addition increases are partly driven by changes in data sample as for financial year five of 18 CEOs could not be included in the analysis and for financial year 2017 only one CEO could not be included.
- **Italy:** Very small data sample and considerable increases in actual TDC for all companies that were included in both years.

- **Spain:** Very small data sample with changes in data sample, for all companies that were included in both years, actual TDC either remained stable or slightly increased.
- **BeNeLux:** Data sample remains small but stable. Actual TDC has increased for all five CEOs included.
- **France:** Large data sample with minor changes, we observed increases as well as decreases, but overall actual TDC slightly increased.
- **Nordics:** Small data sample with changes between 2016 and 2017, one of the lower paying companies could not be included in 2016. For those four companies that were included in both years decreases as well as increases can be observed.

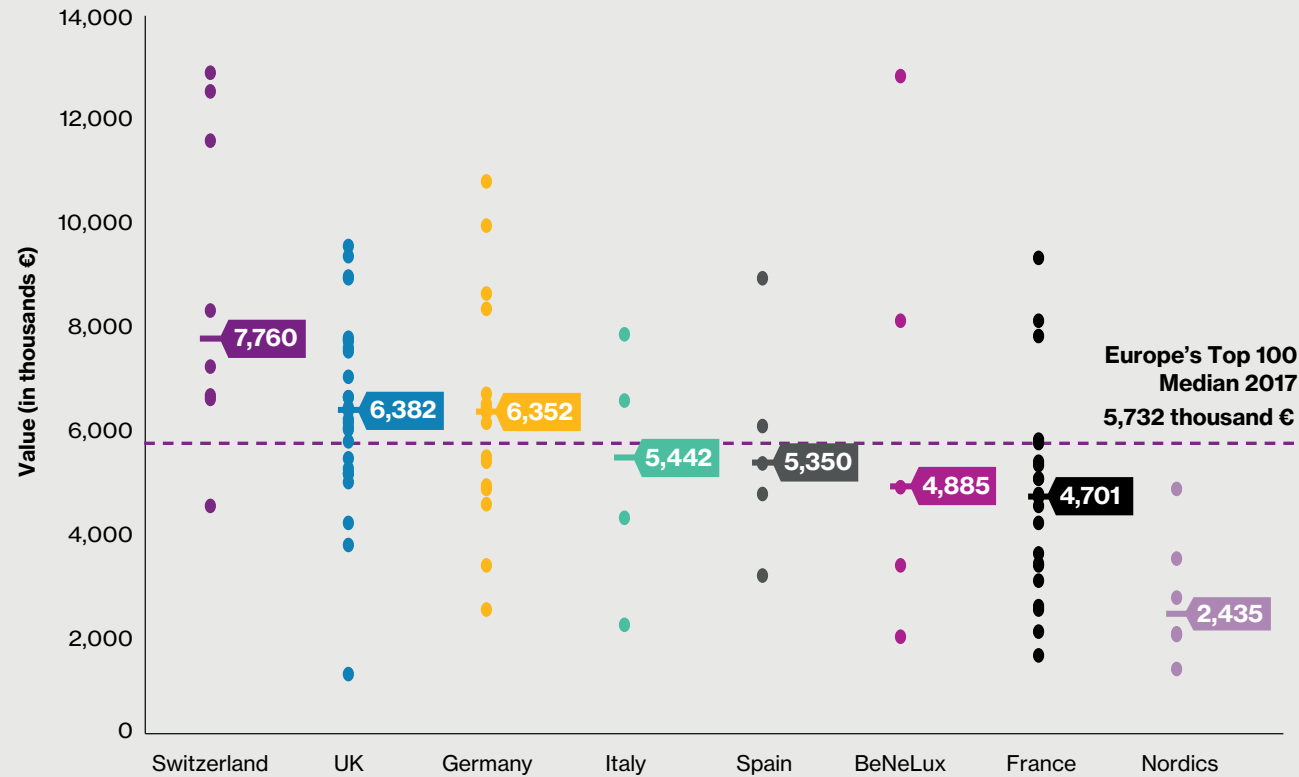
Figure 6. Median actual TDC by country – Financial year 2015-2017



Note The above analysis of actual TDC includes only those CEOs that have served in position for the full financial year and where information is disclosed in order to derive actual TDC.

Median actual total direct compensation by country

Figure 7. Median actual TDC by country – Financial year 2017



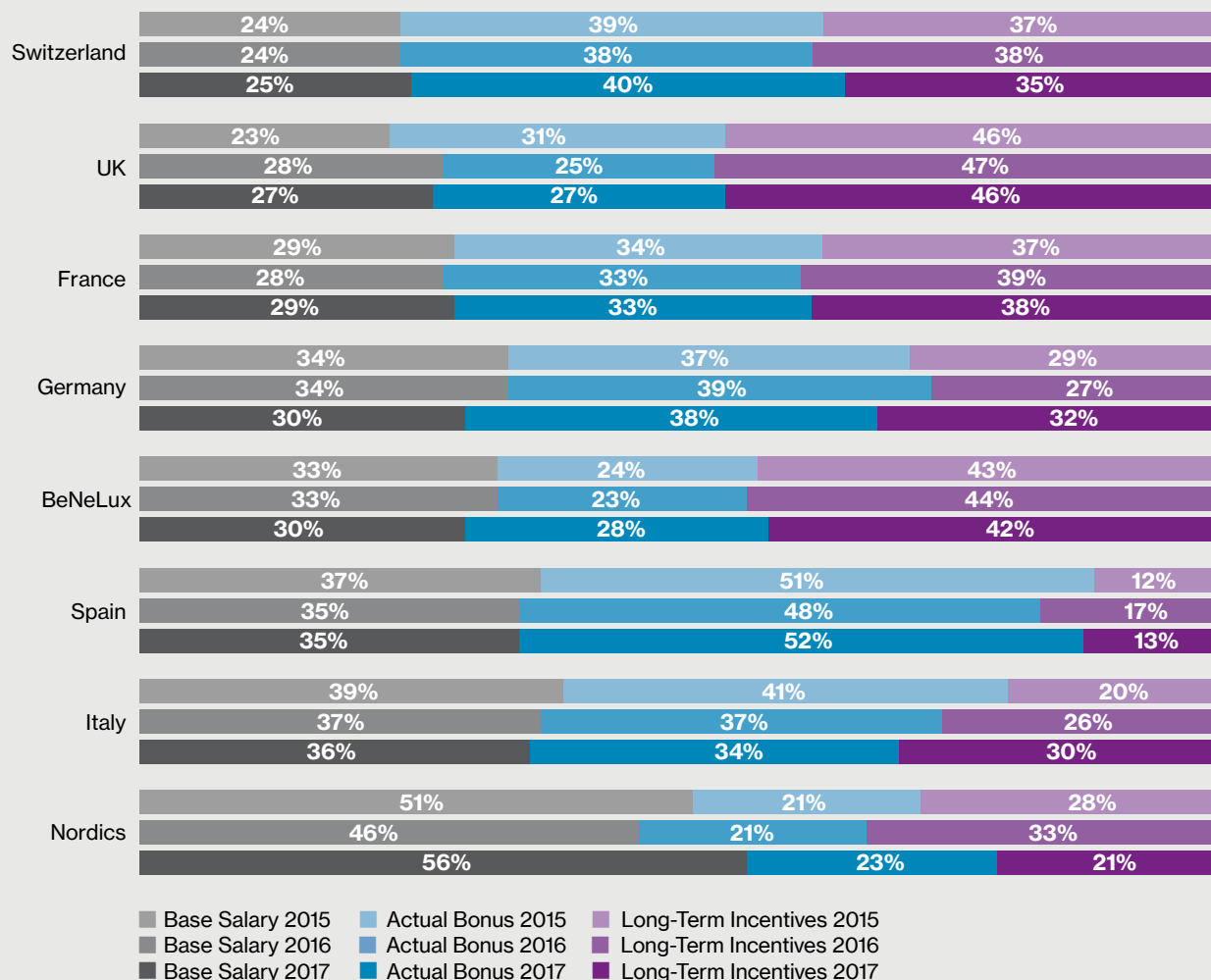
- It can be observed that actual TDC levels at the vast majority of Swiss constituent companies are above the median level of Europe's Top 100. In contrast, actual TDC levels for each of the Nordic constituent companies fall below the median level.
- For all other countries, especially in those with larger data samples, actual TDC levels spread below and above the Europe's Top 100 median line.

Note The above analysis of actual TDC includes only those CEOs that have served in position for the full financial year and where information is disclosed in order to derive actual TDC.

CEO average pay mix by country

- CEOs in Switzerland and in UK have the lowest portion of fix base salary. In addition CEO pay packages of Europe's Top 100 companies that are based in UK have the highest LTI portion, followed by companies based in BeNeLux and France.
- In certain regions, such as Spain and Nordics, LTI remains a relatively minor element of remuneration. It has to be noted that in both regions financial service companies with no LTI plans but deferral schemes are included in the data sample.
- It should be noted that deferrals are not included in long-term incentives, but in actual bonus payouts. The majority of Europe's Top 100 companies have deferral schemes in place that in addition to or sometimes in absence of LTI plans support a long-term orientation of total pay.

Figure 8. CEO average pay mix by country – Financial year 2015-2017



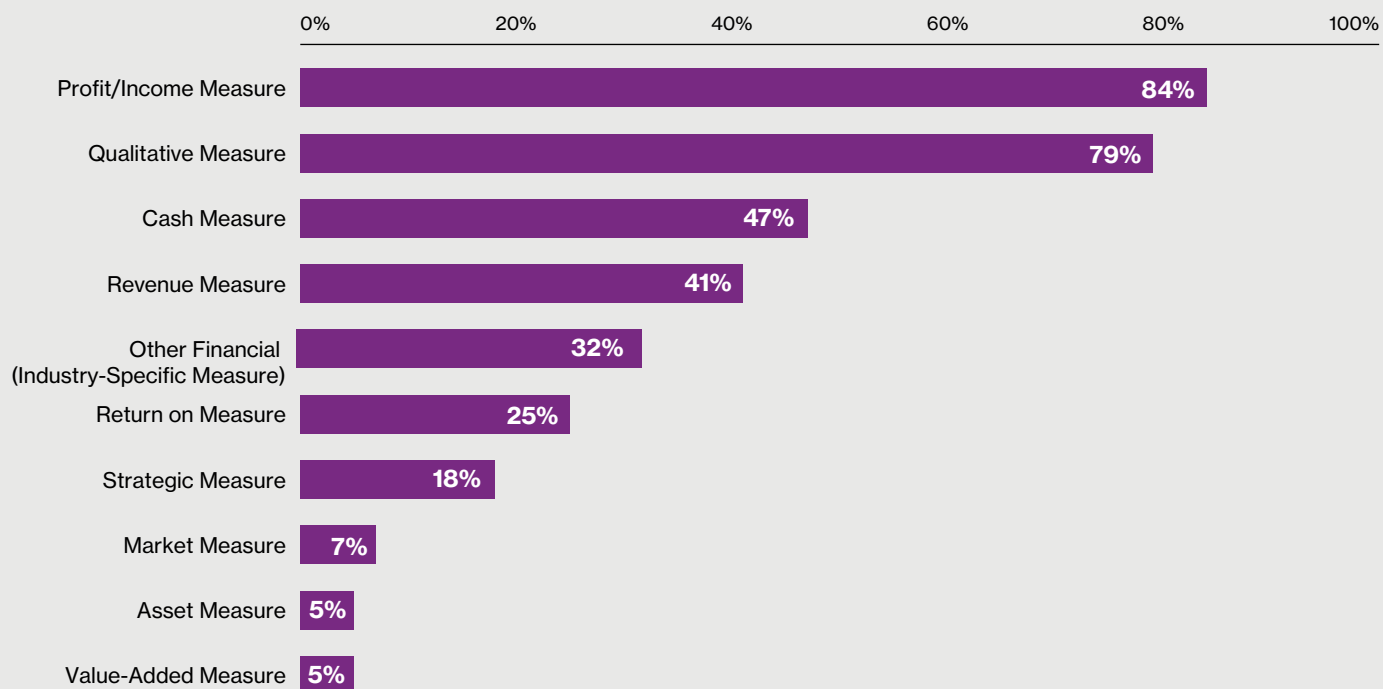
Incentive design



Short-term incentive performance measures

The majority of companies link between three and five performance measures to their bonus plans

Figure 9. Prevalence of performance measures – % of 96 short-term incentive (STI) plans

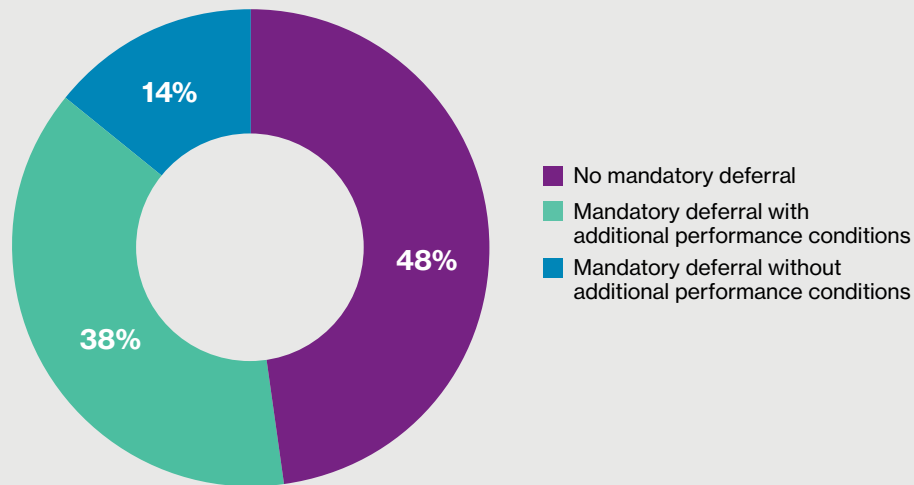


Note: The analysis on number of performance measures is based on 94 out of 98 of Europe's Top 100 companies. 95 companies operate an STI plan, but one company does not disclose any details on the STI policy in place. A total of 97 STI plans are operated across the 95 companies; due to the limited disclosure of one company, 96 plans are considered in the above analysis.

Deferral

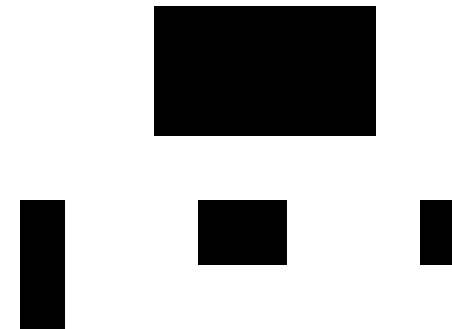
More than half of companies operate mandatory deferral

Figure 10. Prevalence of mandatory bonus deferral – % of 94 companies



Note: The analysis on mandatory deferral is based on 94 out of 98 of Europe's Top 100 companies. 95 companies operate an STI plan. One company does not disclose any details on deferral policy, i.e. if performance conditions are applied.

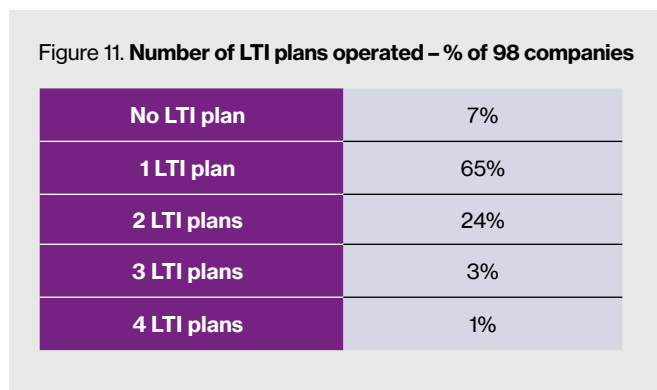
- For those companies with deferral schemes in place CEOs have to defer 50% of the bonus in average.
- 63% of deferral schemes require that the bonus is deferred to restricted shares.
- Deferral periods range between one and ten years. The typical deferral period for Europe's Top 100 companies is three years.



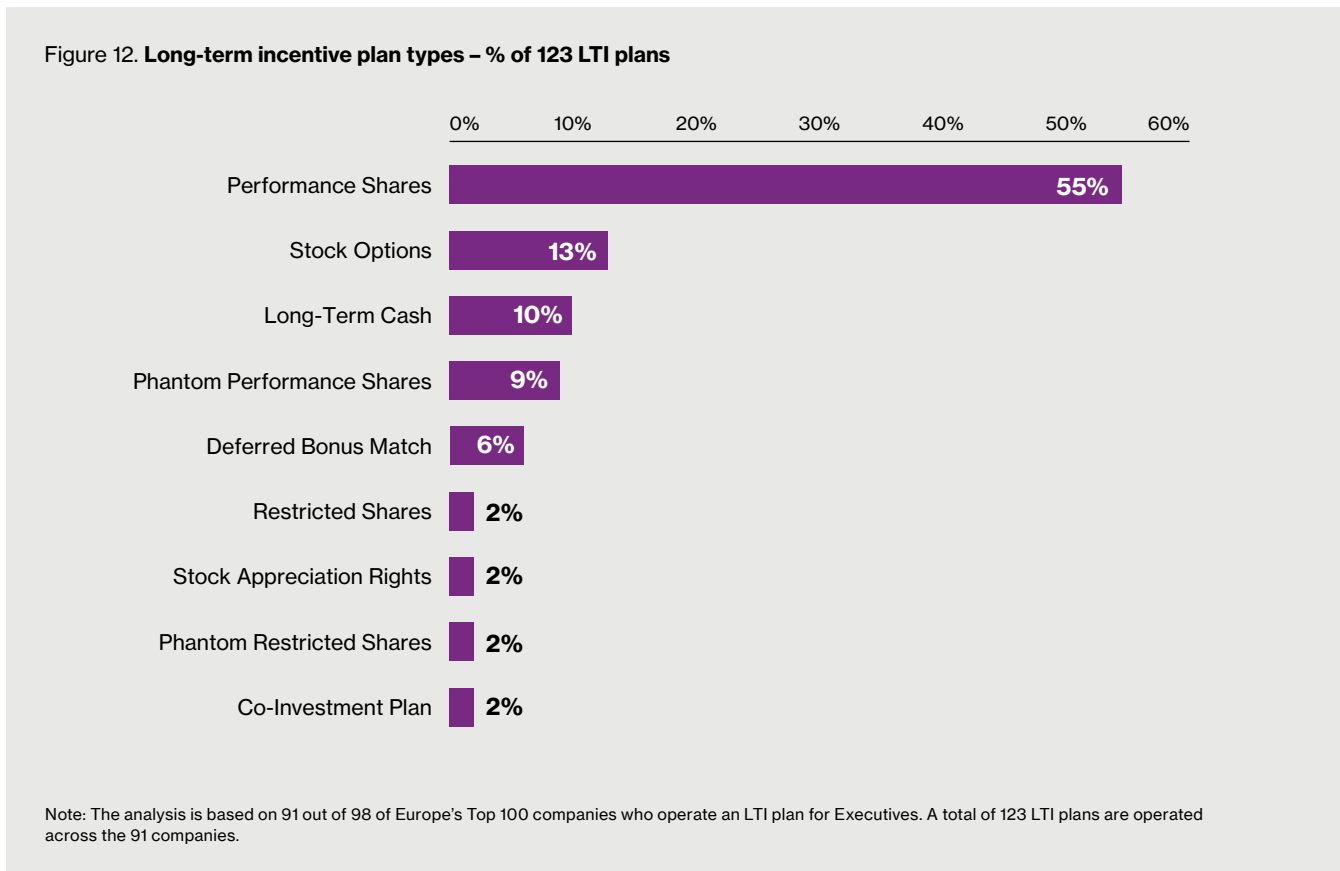
Long-term incentive design

Performance share plans continue to be the most common long-term incentive (LTI) vehicle

- Most companies have **one single LTI plan** in place:



- The majority of Europe's Top 100 companies operate **share-settled plans**. Cash-settled plans are most prevalent among German companies.



Long-term incentive design

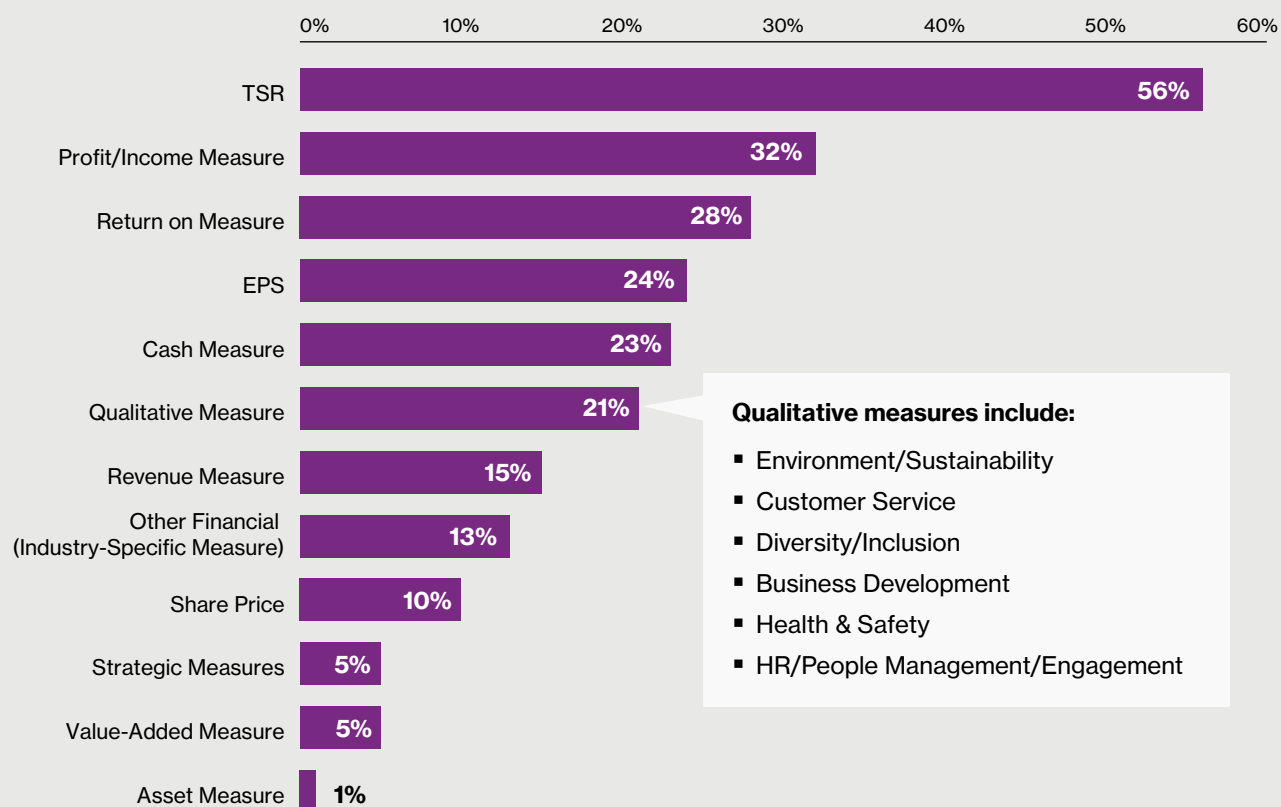
TSR continues to be the most prevalent LTI measure

- LTI plans among Europe's Top 100 companies typically have **between one and three performance measures** in place.

Figure 13. **Number of performance measures – as % of 123 LTI plans**

No measure	10%
1 measure	18%
2 measures	23%
3 measures	27%
4 measures	12%
5+ measures	10%

Figure 14. **Performance Measures – % of 111 LTI plans**

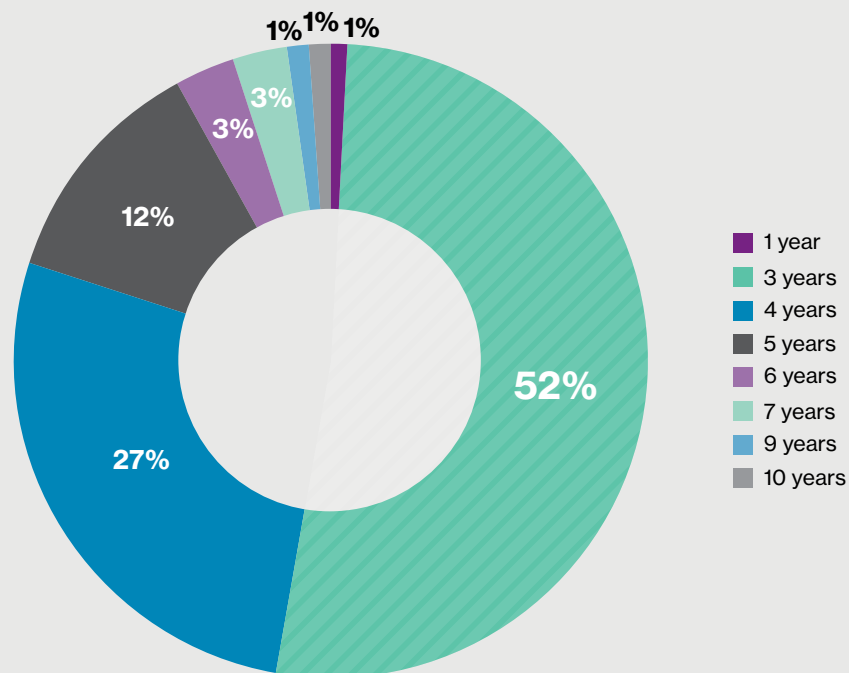


Note The analysis is based on 91 out of 98 of Europe's Top 100 companies who operate an LTI plan for Executives. A total of 123 LTI plans are operated across the 91 companies. Twelve plans do not have performance conditions in place. Thus, the analysis on performance measures is based on 111 plans operated by 91 companies.

Long-term incentive design

A typical LTI plan has a three year vesting plus an additional two-year holding period

Figure 15. Vesting Periods – in % of 123 LTI plans



The analysis is based on 91 out of 98 of Europe's Top 100 companies who operate an LTI plan for Executives. A total of 123 LTI plans are operated across the 91 companies.

- **87%** of LTI plans operated by Europe's Top companies have **cliff vesting** in place.
- In **51%** of LTI plans, an **additional holding period** is required, i.e. shares are not available after vesting, but have to be held for an additional period of time.
 - 76% of LTI plans with holding periods are operated either by British (41%) or French (35%) companies; in other countries they are less prevalent.
- Additional holding periods range from one year to the end of the CEO's tenure:

Figure 16. Prevalence of holding periods – in % of 123 LTI plans

Holding period	% of companies with holding periods
1 year	16%
2 years	51%
3 years	10%
6 years	1%
10 years	1%
Until SOG is met	16%
End of office	5%



Share ownership guidelines

Share ownership guidelines (SOG) are not common in all markets

- Share ownership guidelines are most prevalent in UK, France and Switzerland.
- 74% of companies with SOG in place define them as a multiple of salary within a range of 80% to 700% of salary, the median being 300% of salary.

Figure 17. Prevalence of share ownership guidelines – % of 98 companies

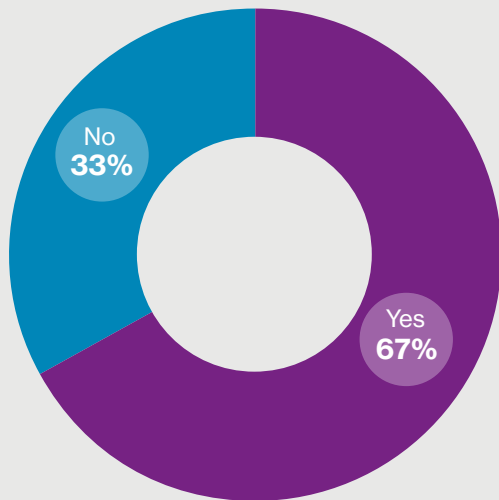
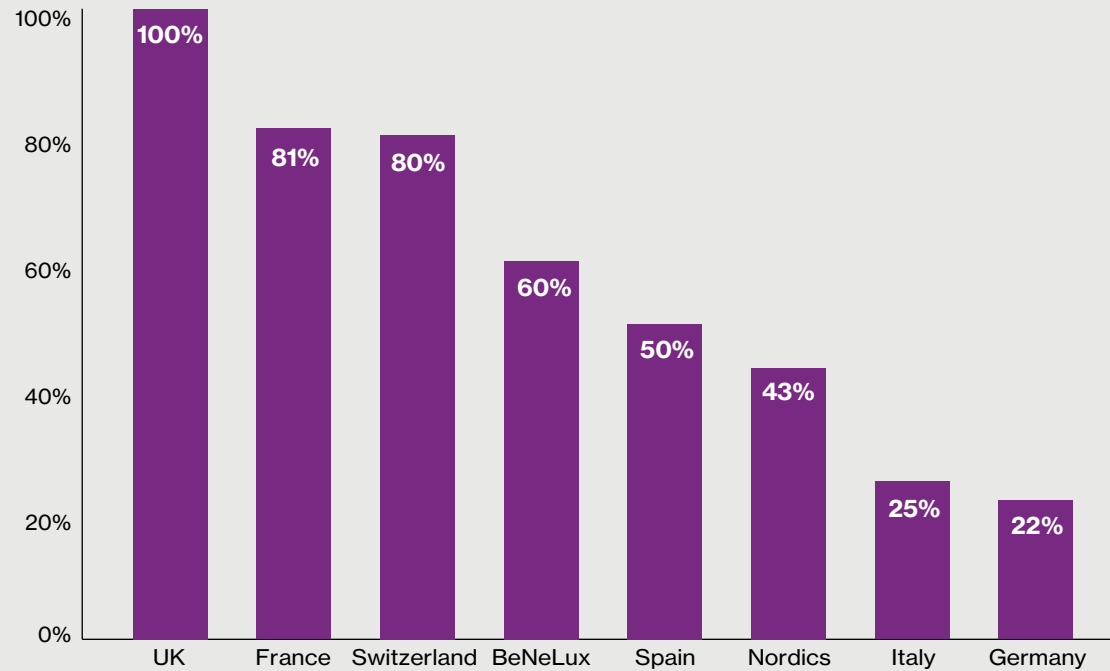


Figure 18. Prevalence of share ownership guidelines for Europe's Top 100 companies by country





Additional analysis

Our database covers over 1,000 companies across 14 countries in Europe

We can provide you with analysis for pan-European sectors or bespoke peer groups tailored to your specific requirements on a line-by-line and/or aggregate basis (for example by industry, by different markets and/or by company size).

Executive Directors' Compensation

- Financial year and/or forward-looking base salary increases
- Actual and/or target total direct compensation levels*
- Actual and/or target total remuneration levels*
- Realised pay levels
- Analysis of realised pay versus target/maximum pay opportunity
- Analysis of pay mix*
- Pay differentials by sector and/or country*
- Leverage analysis*
- Pay versus performance analysis*

Incentive Design and Share Ownership Guidelines

- Short-term incentive performance measures and respective weightings
- Short-term incentive deferral analysis
- Long-term incentive vehicles
- Long-term incentive performance measures, respective weightings and performance targets
- Long-term incentive performance periods, vesting arrangements and holding periods
- Analysis of forward-looking amendments to short and long-term incentive plans and details of new plans
- Analysis of share ownership guidelines

Chairman's and Non-Executive Directors' Compensation

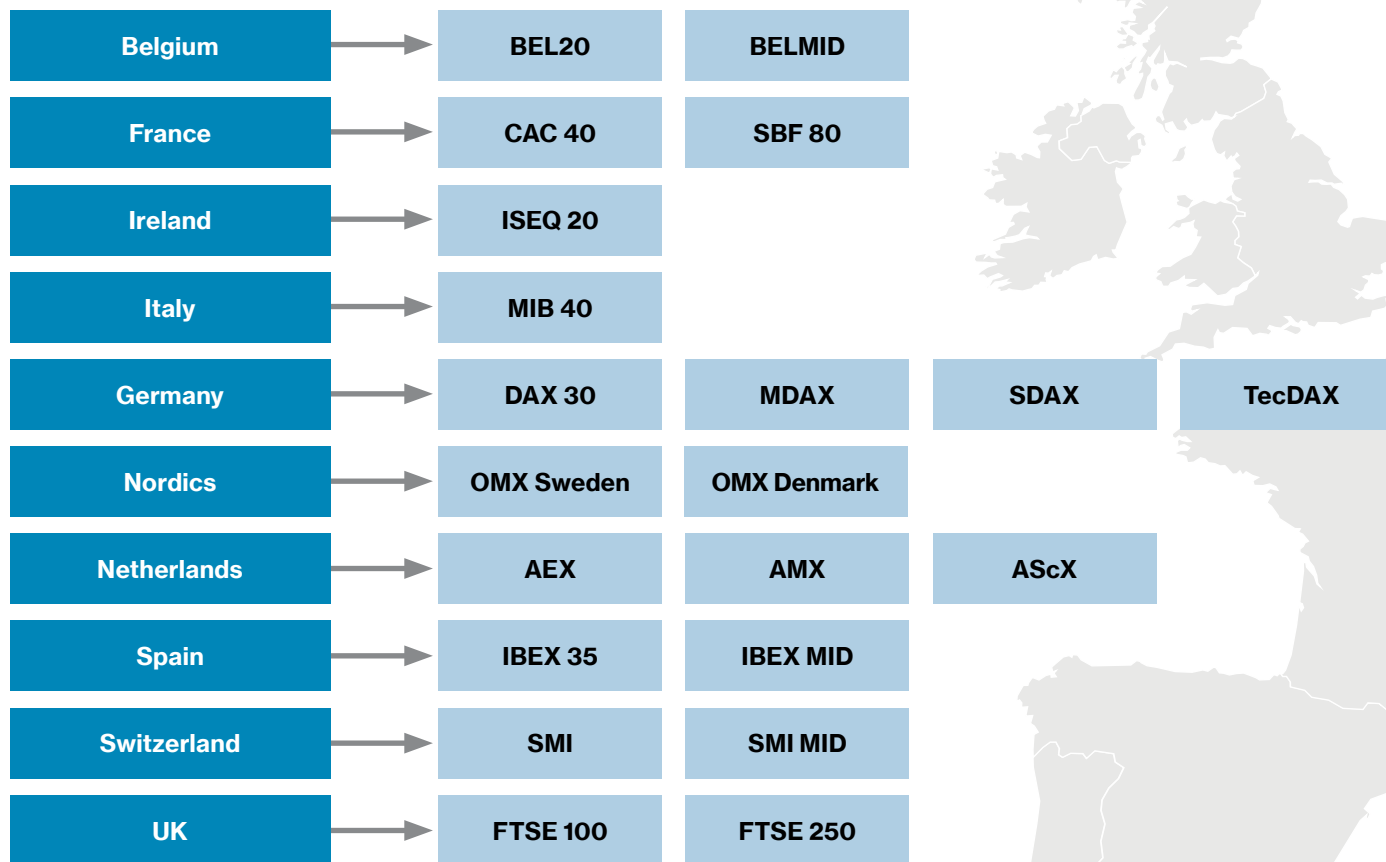
- Base/fixed fee levels
- Chairmanship and membership fees for board committees (e.g. audit, remuneration, nomination)
- Attendance fees and travel allowances
- Other incentives and benefits


Analysis can be conducted by role, e.g. CEO, CFO, COO**

* This analysis includes long-term incentive expected values based on the Willis Towers Watson valuation methodology

** Note that in some countries a role-specific analysis is not possible as only highest-paid executive director is individually disclosed

Our database covers constituents of the following indices in the respective European countries





Information on
data sample

Europe's Top 100 – The sample

98

companies within the STOXX All Europe 100 are covered in our report



Two Russian companies had to be excluded as they did not disclose any information on remuneration.

95

CEOs are part of the TDC analysis



- Two CEOs have been excluded because they were not in office for the full financial year (LafargeHolcim and Münchener Rückversicherung).
- One company did not have a CEO in place (Compagnie Financière Richemont).

€

All compensation levels are displayed in EURO



The data has been converted with average currency exchange rates for the year 2017.

1 EURO =

1.11 CHF

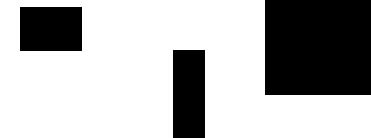
7.44 DKK

0.88 GBP

9.33 NOK

9.64 SEK

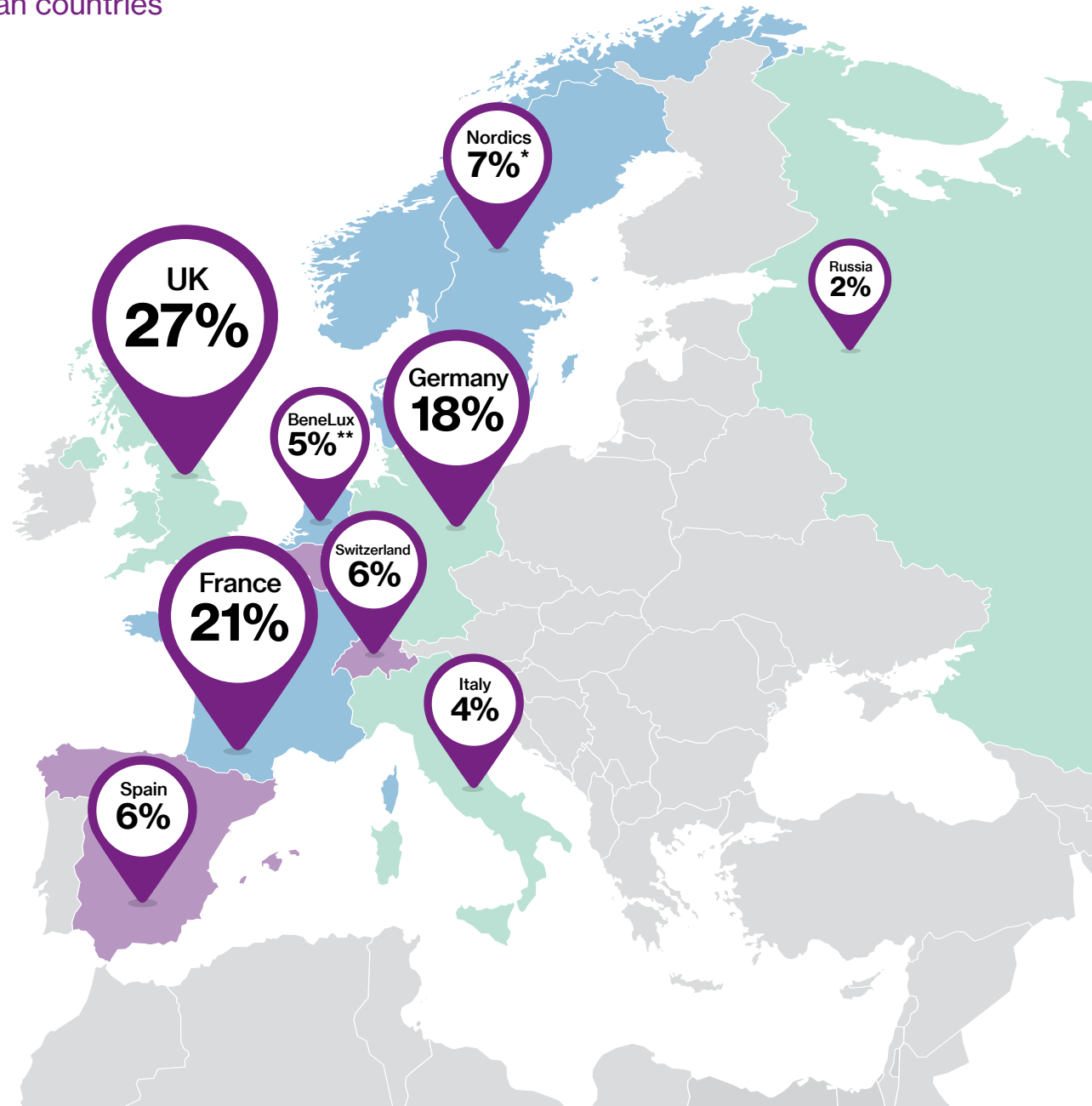
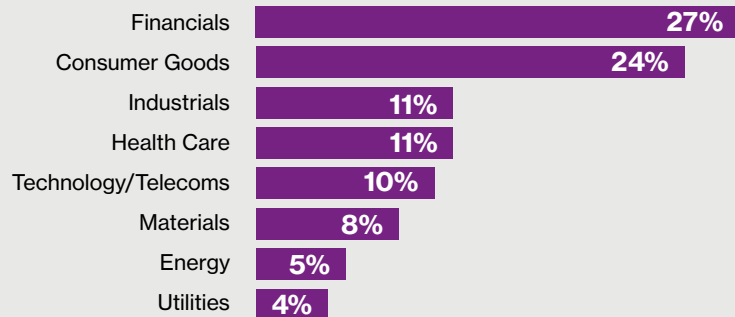
1.13 USD



Europe's Top 100 composition by country and industry

The analysis includes 100 companies from 12 European countries

Figure 19. Europe's Top 100 industries




* Includes companies from Sweden, Norway, Denmark and Finland.

** Includes companies from Belgium and the Netherlands.


Europe's Top 100 by company data

Market capitalisation*




Lower quartile:	€ 31,648
Median:	€ 43,797
Upper Quartile:	€ 75,322

Revenues**



Lower quartile:	€ 17,780
Median:	€ 31,263
Upper Quartile:	€ 53,715

Employees

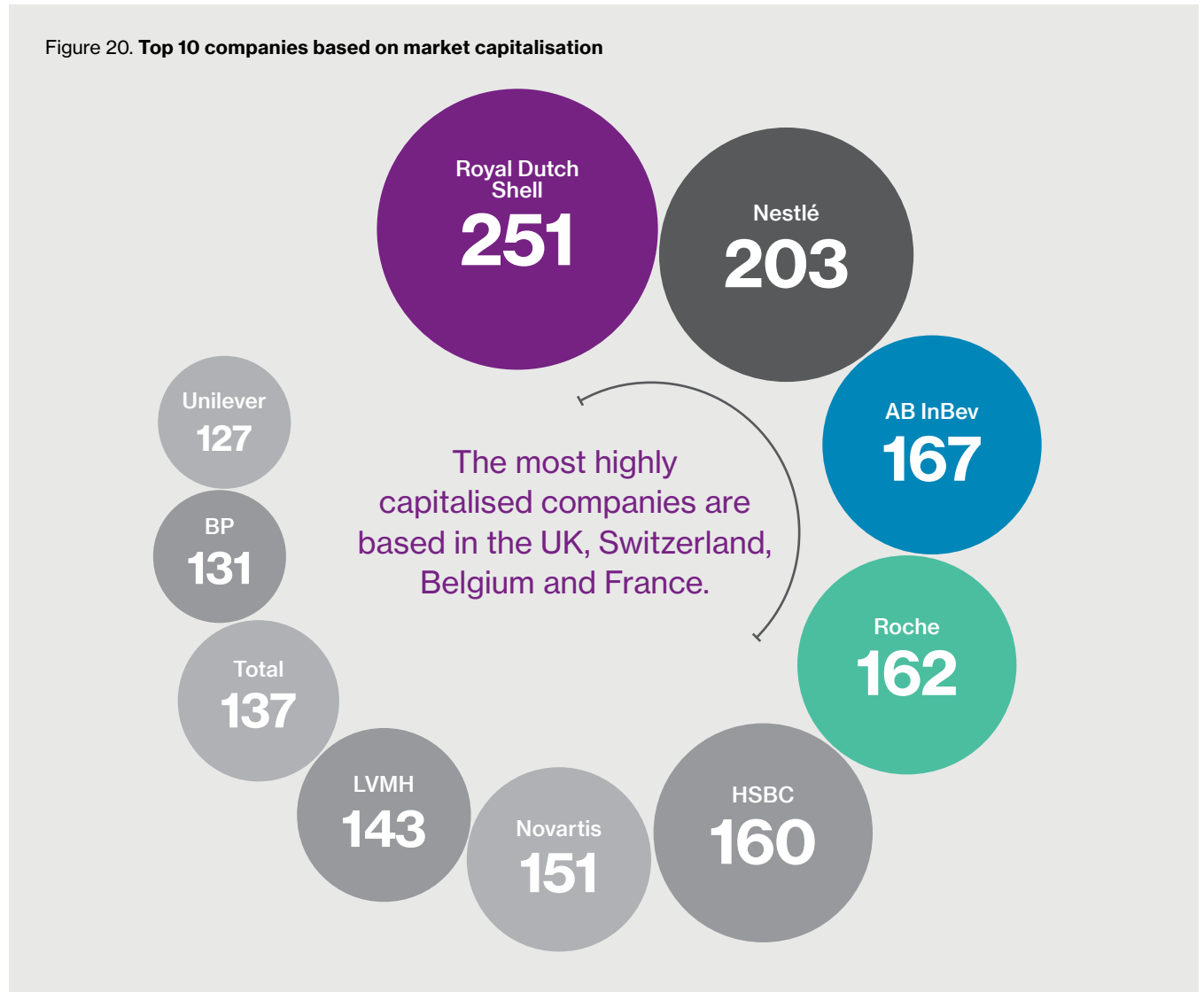


Lower quartile:	43,644
Median:	86,052
Upper Quartile:	138,667

* According to market capitalisation as of 1st July 2018, displayed in billion € (Top 10) and in million € (statistics).

** Revenues are displayed in million €. Companies from the financial sector are excluded from the revenue analysis.

Figure 20. Top 10 companies based on market capitalisation

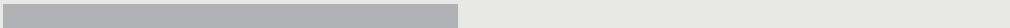
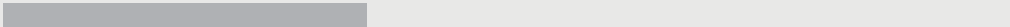
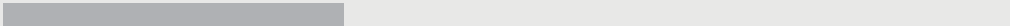
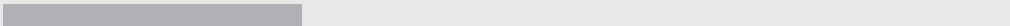

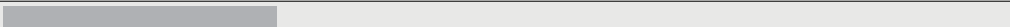
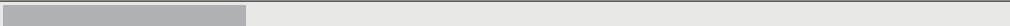



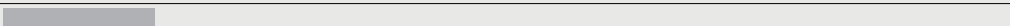
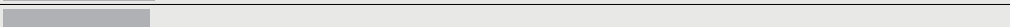
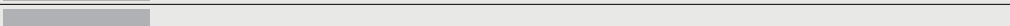
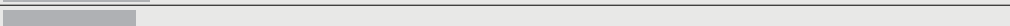

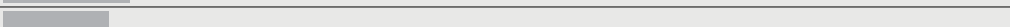

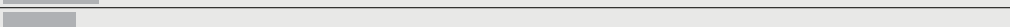
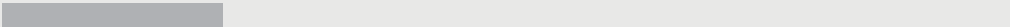
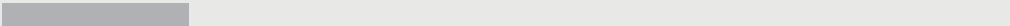
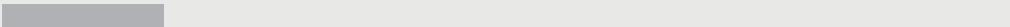
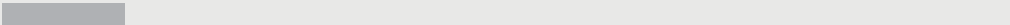


Europe's Top 100 Company List

BeNeLux	Market Cap (in million €)	Industry
AB InBev	167,265	Consumer Staples
Unilever	127,621	Consumer Staples
ASML Holding	72,503	Information Technology
ING Groep	47,964	Financials
Philips	33,670	Health Care

France	Market Cap (in million €)	Industry
LVMH	143,030	Consumer Discretionary
TOTAL	136,799	Energy
L'Oréal	118,160	Consumer Staples
Sanofi	85,042	Health Care
Airbus	77,779	Industrials
BNP Paribas	66,392	Financials
Kering	61,069	Consumer Discretionary
AXA	50,045	Financials
Air Liquide	45,906	Materials
VINCI	45,800	Industrials
Safran	45,359	Industrials
Danone	40,661	Consumer Staples
Schneider Electric	39,824	Industrials
Orange	38,088	Telecommunication Services
Pernod Ricard	36,937	Consumer Staples
ENGIE	31,360	Utilities
Société Générale	28,931	Financials
Vivendi	26,473	Consumer Discretionary
Unibail-Rodamco	26,073	Real Estate
Essilor	25,930	Health Care
Compagnie de Saint-Gobain	21,070	Industrials

Europe's Top 100 Company List (continued)

Germany	Market Cap (in million €)		Industry
SAP		118,123	Information Technology
Siemens		94,285	Industrials
Bayer		88,406	Health Care
Allianz		77,536	Financials
BASF		75,233	Materials
Volkswagen		71,111	Consumer Discretionary
Deutsche Telekom		63,021	Telecommunication Services
Daimler		58,980	Consumer Discretionary
BMW		50,645	Consumer Discretionary
Henkel		43,851	Consumer Staples
Continental		39,321	Consumer Discretionary
Fresenius		38,109	Health Care
adidas		37,925	Consumer Discretionary
Deutsche Post		34,355	Industrials
Linde		32,941	Materials
Münchener Rück*		27,380	Financials
Infineon Technologies		24,678	Information Technology
Deutsche Bank		18,920	Financials
Italy	Market Cap (in million €)		Industry
Eni		57,280	Energy
Enel		48,363	Utilities
Intesa Sanpaolo		41,833	Financials
UniCredit		31,744	Financials

* Excluded from the analysis.

Europe's Top 100 Company List (continued)

Nordics	Market Cap (in million €)	Industry
Novo Nordisk	96,162	Health Care
Nordea Bank	33,316	Financials
Volvo	27,821	Industrials
Nokia	27,547	Information Technology
Danske Bank	24,577	Financials
Sampo	23,214	Financials
Swedbank	20,486	Financials

Russia	Market Cap (in million €)	Industry
Sberbank of Russia*	64,122	Financials
Gazprom*	42,593	Energy

Spain	Market Cap (in million €)	Industry
Industria de Diseño Textil	91,107	Consumer Discretionary
Banco Santander	74,064	Financials
Iberdrola	41,346	Utilities
Banco Bilbao Vizcaya Argentaria	40,337	Financials
Telefónica	37,315	Telecommunication Services
Amadeus IT	29,446	Information Technology

* Excluded from the analysis.

Europe's Top 100 Company List (continued)

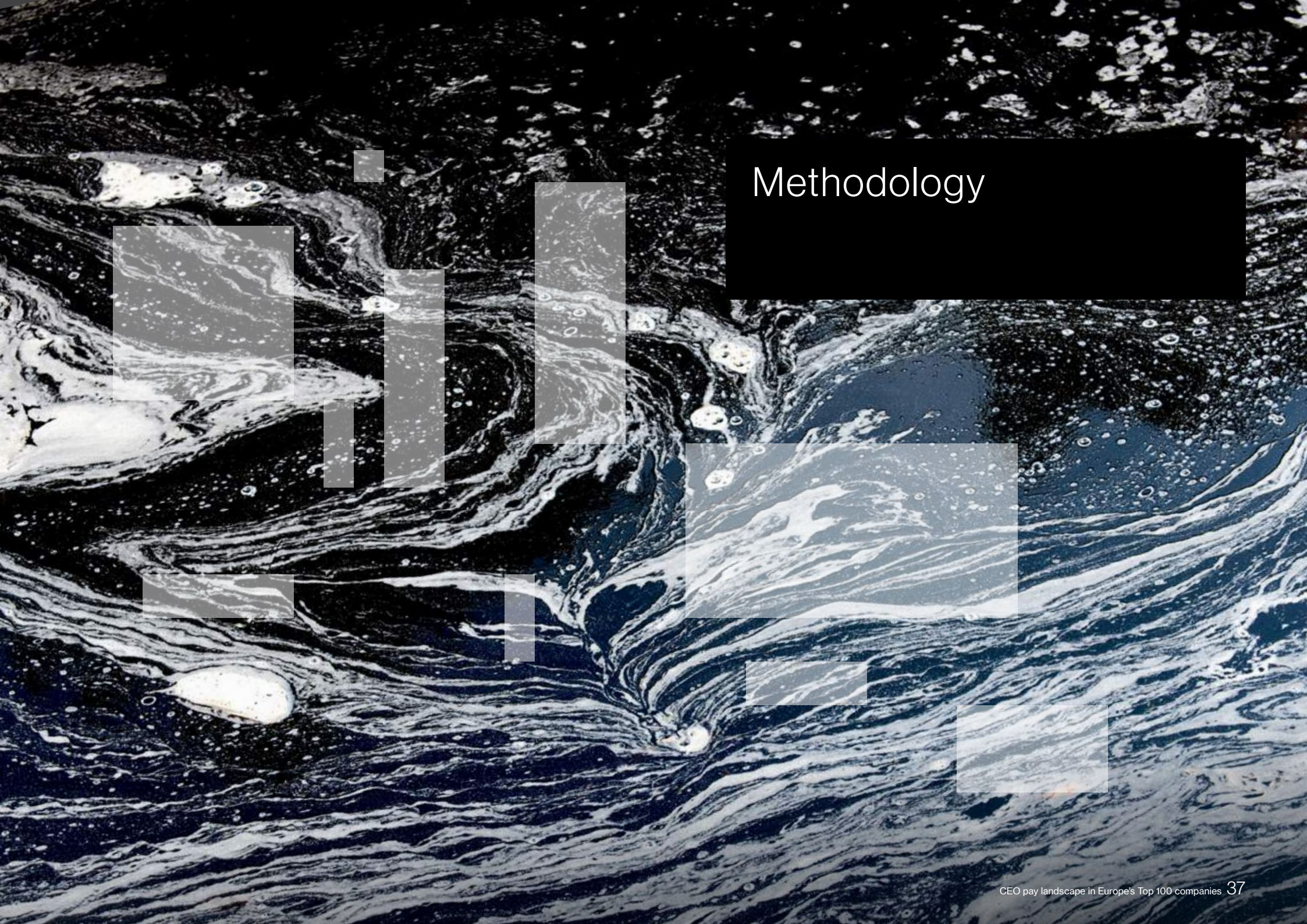
Switzerland	Market Cap (in million €)	Industry
Nestlé	203,200	Consumer Staples
Roche Holding	162,936	Health Care
Novartis	151,369	Health Care
UBS	49,729	Financials
Compagnie Financière Richemont*	40,972	Consumer Discretionary
ABB	39,869	Industrials
Zurich Insurance	38,106	Financials
Credit Suisse	32,753	Financials
LafargeHolcim*	24,926	Materials
Swiss Re	22,928	Financials

* Excluded from the analysis.

Europe's Top 100 Company List (continued)

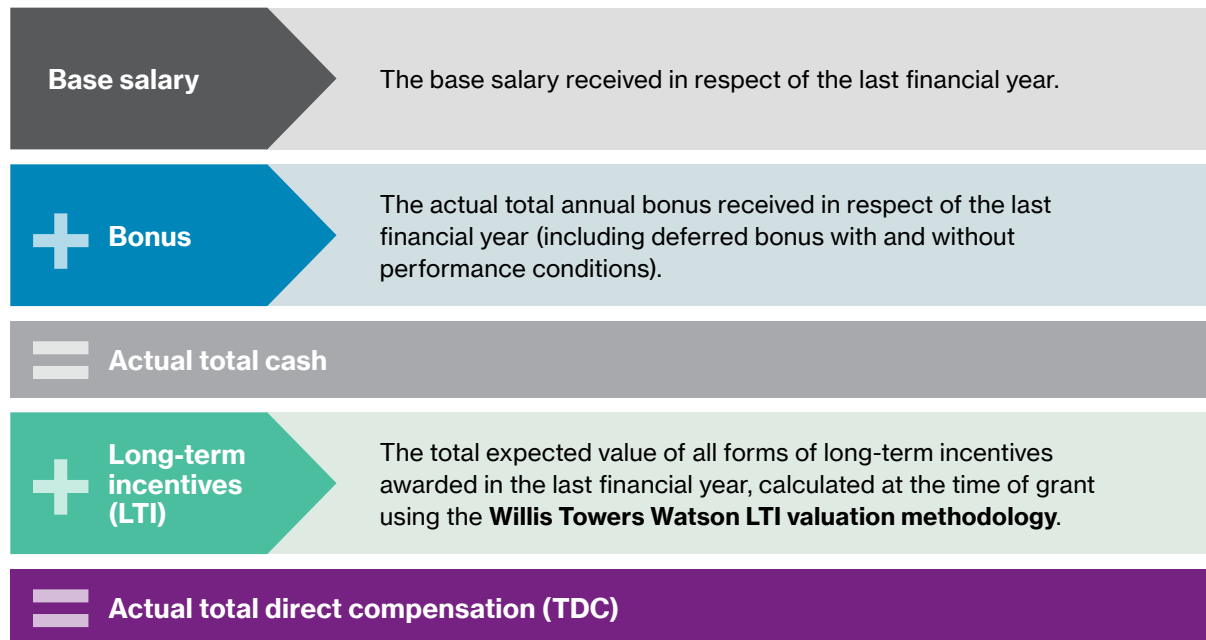
United Kingdom	Market Cap (in million €)	Industry
Royal Dutch Shell	250,904	Energy
HSBC	160,441	Financials
BP	130,628	Energy
Unilever	127,621	Consumer Staples
BHP Billiton	102,714	Materials
British American Tobacco	99,083	Consumer Staples
GlaxoSmithKline	85,003	Health Care
Rio Tinto	82,001	Materials
Diageo	75,540	Consumer Staples
AstraZeneca	75,250	Health Care
Glencore	58,532	Materials
Vodafone	55,458	Telecommunication Services
Lloyds	50,938	Financials
Prudential	50,585	Financials
Reckitt Benckiser	49,821	Consumer Staples
Shire	43,743	Health Care
Barclays	36,574	Financials
RELX	36,196	Industrials
National Grid	31,824	Utilities
Imperial Brands	30,308	Consumer Staples
Compass Group	28,988	Consumer Discretionary
Standard Chartered	25,852	Financials
CRH	25,381	Materials
BT Group	24,263	Telecommunication Services
BAE Systems	23,343	Industrials
Aviva	22,409	Financials
WPP	17,024	Consumer Discretionary

Methodology



How we define “pay”

By actual total direct compensation we mean...



Willis Towers Watson LTI valuation methodology

In general terms, the reported LTI value represents the fair/expected value of an award as at the date of grant, taking into account the specific characteristics of the vehicle awarded (for example, share price volatility, dividend yield) and any applicable performance vesting conditions. The reported value represents the sum of the values of all types of LTI award made to an individual in the year, including performance/restricted shares, stock options, deferred bonus matching shares and long-term cash awards.



Stock options

- The value of stock options is calculated using a binomial lattice model, based on a number of input assumptions (as set out on Page 40). A discount is then applied to this value to take account of any applicable performance vesting conditions.
- Our valuations are based on an expected life approach when computing the binomial value of the option. This expected life is taken as the mid-point between the vesting period and the term of the option (for example, for an option with a 3 year vesting period and a 10 year life, the expected life is 6.5 years).
- Where applicable, we apply a discount factor to take into account any performance condition which must be achieved in order for the award to vest. This discount factor is country specific, based on our experience of the average proportion of an award that might typically be expected to vest, based on typical local performance condition calibration.

Long-term cash bonus

- Consistent with other types of long-term incentive award, long-term cash bonuses are valued at date of grant (not payout). The value represents the target/expected payout level.

Performance/restricted shares

- The value of performance/restricted shares represents the face value of shares (i.e. the number of shares multiplied by share price) as at the date of grant, less the value of dividends paid during the vesting period (if participants do not receive the benefit of these), with a discount applied to take any applicable performance vesting conditions into account.
- Where applicable, we apply a discount factor to take into account any performance condition which must be achieved in order for the award to vest. This discount factor is country specific, based on our experience of the average proportion of an award that might typically be expected to vest, based on typical local performance condition calibration.

Co-investment plans

- Similar to deferred bonus matching plans, we assume that executives seek to maximise their reward opportunity and will therefore elect to co-invest the maximum amount. Co-investment matching share awards are then valued as performance share awards (see above).

Willis Towers Watson LTI valuation methodology (continued)

Deferred bonus matching shares

- We assume that executives seek to maximise their reward opportunity and will therefore elect to defer the maximum amount of bonus allowable. Deferred bonus matching share awards are then valued as performance share awards (see above) – the face value used is the maximum match times the deferral applied to actual bonus earned in the year.
- Please note that the deferrals are included as part of the annual bonus and are not valued as part of long-term incentives, whereas the matching shares are considered as long-term incentives.

Other award types

- For complex or unusual plan types which do not fit into the categories described above, a bespoke valuation will be applied, using consistent principles and assumption setting methodology.

Input assumptions

- In order to calculate values for long-term incentive awards, it is necessary to make a number of input assumptions. These assumptions are based on a consistent approach for all companies in order to result in valuations which can be compared on a like for like basis. The principal assumptions are the following:

Share price volatility

Share price volatility assumptions have been calculated based on the average actual volatility experienced by each company over the three-year period to 1 January 2017. Where this historic average is likely to be unrepresentative of future volatility levels (for example, a business restructuring), an assumption based on more detailed analysis is used.

Dividend yield

Dividend yield assumptions have been calculated based on the average actual dividend yield for each company over the one-year period to 1 January 2017. Where this historic average is likely to be unrepresentative of future dividend yield levels, an assumption based on more detailed analysis is used.

Risk-free rate

Risk-free rate assumptions have been calculated based on the yield on a zero-coupon government bond for the country in which the company is listed over the vesting period/expected share option term as at 1 January 2017.





About us

Executive compensation consulting services

As the world's largest executive compensation consultancy, Willis Towers Watson works with boards of directors, compensation committees and management to help organisations get executive pay right.

Willis Towers Watson serves as a best-in-class provider of practical advice, data resources and technical information to help clients develop and administer "best fit" compensation programmes in the context of each organisation's business and reward strategy. We provide consulting services and customised information, including information and insights that may not otherwise be available through public disclosures and generic surveys. We work collaboratively with management (both

at headquarters and business units), boards of directors and compensation committees.

Legislation, regulations and the evolution of corporate governance have, in many cases, changed the executive compensation landscape and working relationships among management, the compensation committee and outside compensation advisors. We understand that there is no single model that works for every organisation.

In light of each organisation's governance requirements and preferences, we can help define the right relationship structure to put the Willis Towers Watson difference to work for you.

The Willis Towers Watson difference

We've conducted extensive research to understand organisations' executive compensation consulting needs, preferences and concerns in light of recent regulatory developments. We found that each company approaches the design and governance of executive compensation programmes in its own way. This is consistent with our philosophy that executive compensation should meet a tailored, "best fit" standard. Our research has also identified the capabilities that organisations most value.



What Willis Towers Watson offers

- Depth of resources and expertise available only from the world's largest executive compensation consulting practice
- Dedicated in-house experts on legislative and regulatory requirements, tax and accounting issues, proxy advisor policies, disclosure rules and other key considerations
- Unparalleled compensation databases and a dedicated research function offering clients the most extensive research capabilities in our industry
- Objectivity, quality assurance and data protection
- The ability to leverage Willis Towers Watson's broader resources to generate integrated solutions to complex business issues
- Innovative thinking and cutting-edge approaches to clients' problems
- A truly global reach – consultants on the ground in key countries worldwide supported by research and data covering the world's top markets

How our clients benefit

Our 400 executive compensation consultants in more than 35 cities worldwide offer responsiveness and experience across industry sectors, public and private companies, and the nonprofit sector.

Our clients include organisations large and small, and our executive compensation consultants have deep expertise in a wide range of industry sectors, including financial services, natural resources, energy, pharma/biopharma, media, health care and retail.

Our consulting teams staff client programmes thoughtfully to leverage our collective experience for each client's benefit and ensure we are available when clients need us.

Our clients receive frequent updates on the latest developments and trends, and can easily tap our experts for answers on the full range of questions that executive pay programmes pose.

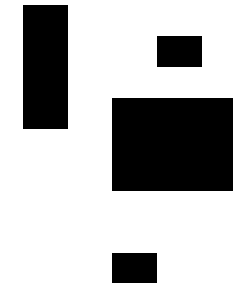
Willis Towers Watson conducts proprietary compensation surveys in over 115 countries and offers the world's largest database of current information on executive pay levels, and long- and short-term incentives. This wealth of pay data, including custom analyses, is online 24/7. In addition, our Executive Compensation Resources (ECR) unit conducts ongoing data gathering, research and analysis of executive pay data disclosed in company proxy statements and related disclosures in key countries where robust pay disclosure is required.

Our technical capabilities and best-in-class quality assurance processes ensure sound advice. And whether we are retained by the board's compensation committee or by management, our extensive consulting protocols help ensure that our executive compensation clients receive fully independent, objective advice.

With more than 40,000 employees in more than 140 countries worldwide, Willis Towers Watson offers a broad range of expertise to help clients improve performance through effective people, risk and financial management. Our research confirms that many clients value our ability to bring a multidisciplinary approach to the complex challenges they face.

Our size and extensive resources enable Willis Towers Watson to make significant investments in our clients, including investments in new tools and approaches to meet emerging client needs.

Multinational clients look to us for help dealing with the challenges of managing a mobile and geographically diverse cadre of executives. We also help these organisations craft talent and reward strategies to enhance value beyond their headquarters and throughout their global operations. This includes important emerging markets such as Brazil, China and India.



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About Willis Towers Watson

Willis Towers Watson (NASDAQ: WLTW) is a leading global advisory, broking and solutions company that helps clients around the world turn risk into a path for growth. With roots dating to 1828, Willis Towers Watson has over 40,000 employees serving more than 140 countries. We design and deliver solutions that manage risk, optimise benefits, cultivate talent, and expand the power of capital to protect and strengthen institutions and individuals. Our unique perspective allows us to see the critical intersections between talent, assets and ideas – the dynamic formula that drives business performance. Together, we unlock potential. Learn more at willistowerswatson.com

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