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Executive Remuneration

Highlights from Mercer 2025 Survey -— Portugal

November 27th 2025

A business of Marsh McLennan

Welcome

Executive Remuneration:
Highlights from Mercer 2025 Survey — Portugal

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01.

Executive Remuneration Survey — Portugal 2025

Agenda

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Highlights from Mercer 2025 Survey — Portugal

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Content

The survey on executive compensation will help answer questions raised within the design of compensation packages for top executives, such as:

- **Market Positioning**
- **Fixed Compensation**
- **Variable Compensation (short and long term)**
- **Benefits (Qualitative analysis)**

125
Organizations

Of the 125,
30
are listed companies

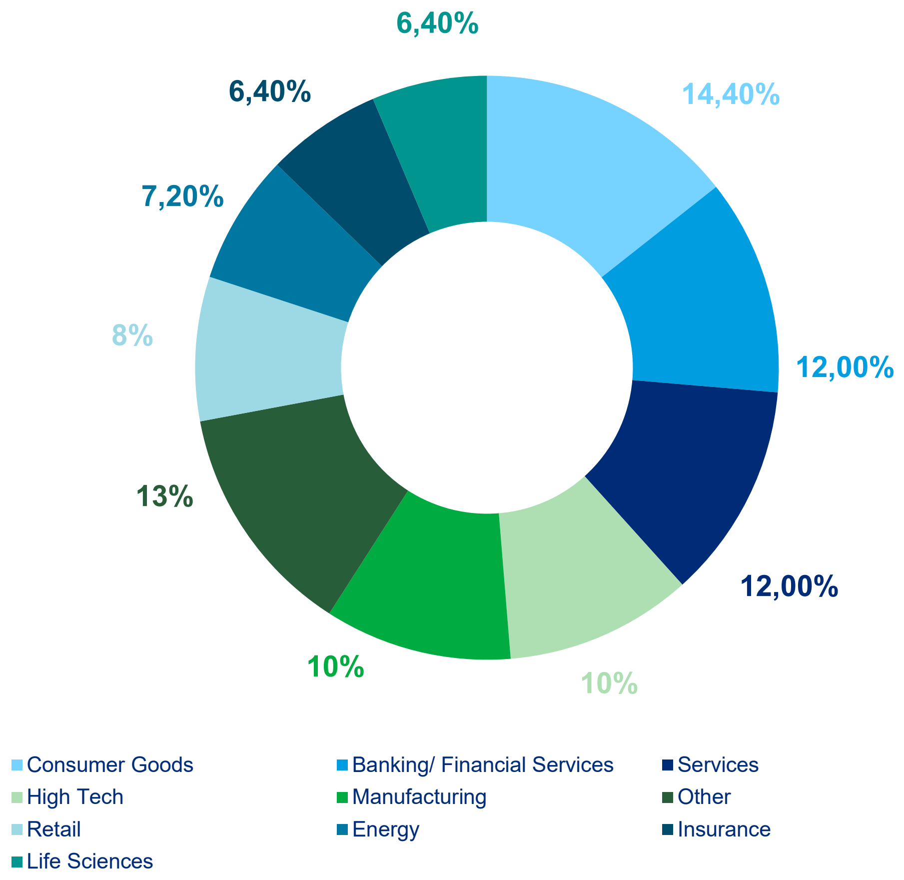
33
Individual jobs under analysis

1.1. Participants Profile

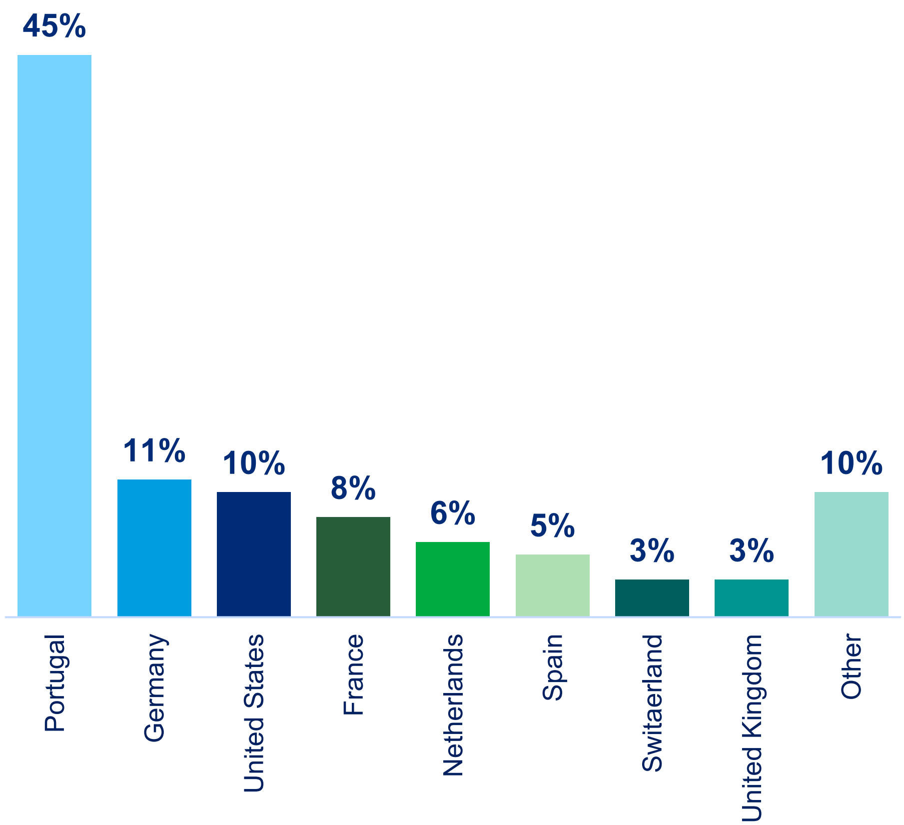
Participants Profiles

Organization’s characteristics

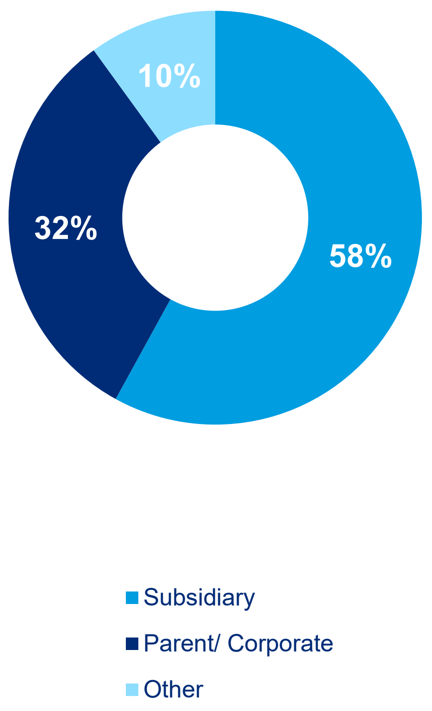
Industry



Parent Organization Location



Organization Type



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1.2. Main Highlights

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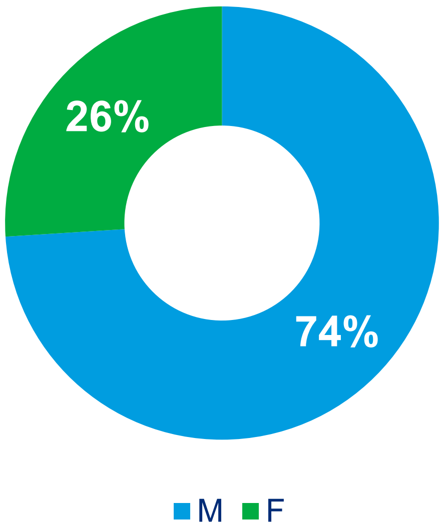
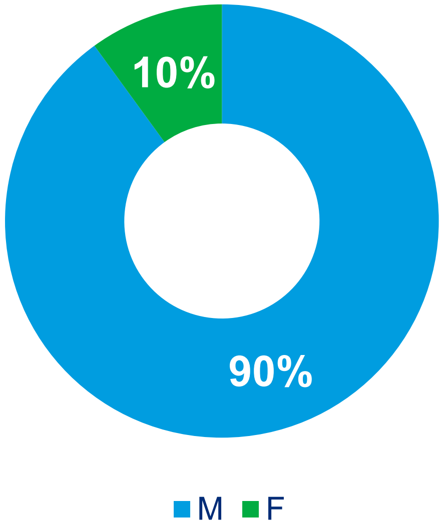
Highlights on Gender Pay Gap

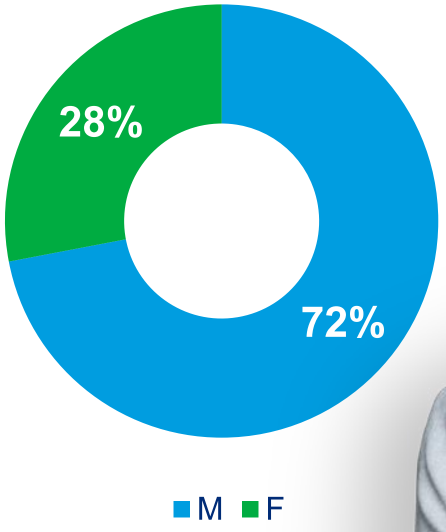
Incumbents Distribuition by Gender



Incumbents Distribuition by Gender (CEO)



Incumbents Distribuition by Gender (Other Executive Roles)



The average **raw Gender Pay Gap calculated is ~25%**
This tends to be higher for CEO roles than for Other Executive Roles

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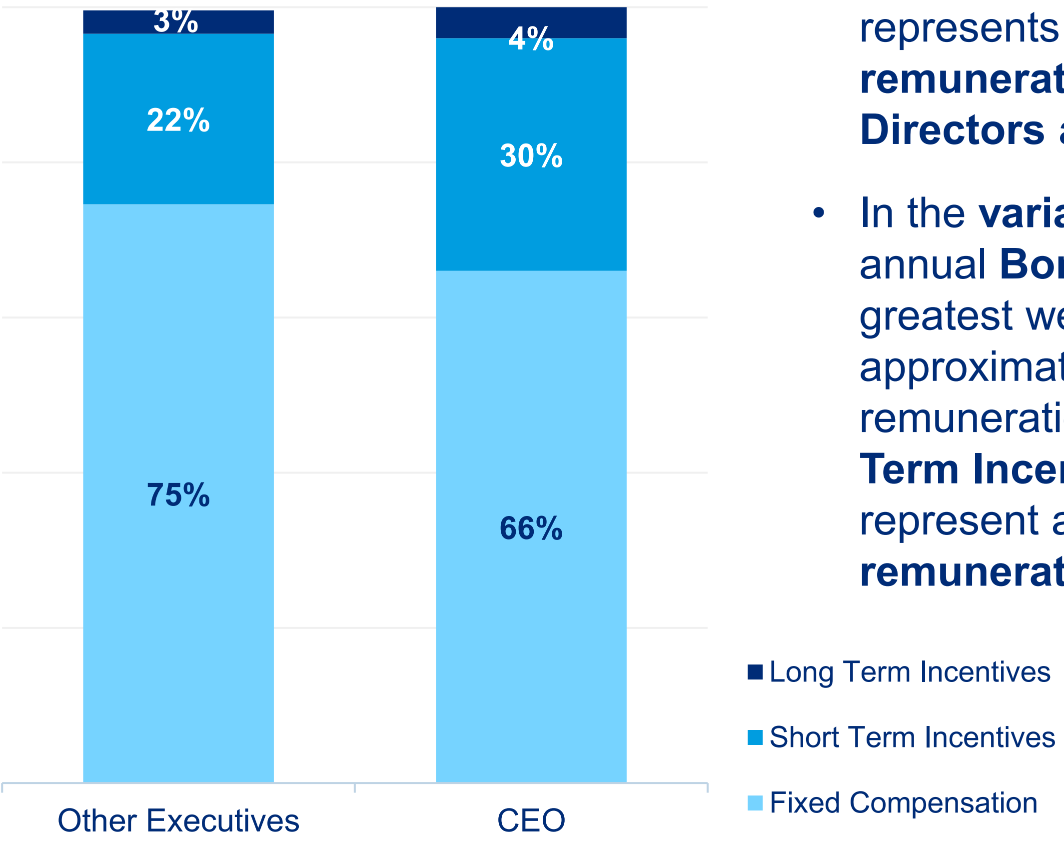
Paymix Analysis

Paymix (Fixed vs. STI vs. LTI)



- **Fixed remuneration** currently represents **66% of the total remuneration** for most **Executive Directors** and **75%** for the **CEO** role.
- In the **variable component**, the annual **Bonus (STI)** carries the greatest weight, accounting for approximately **22% to 30%** of the total remuneration, compared to **Long-Term Incentives (LTI)** which represent about **3% to 4% of the total remuneration.**

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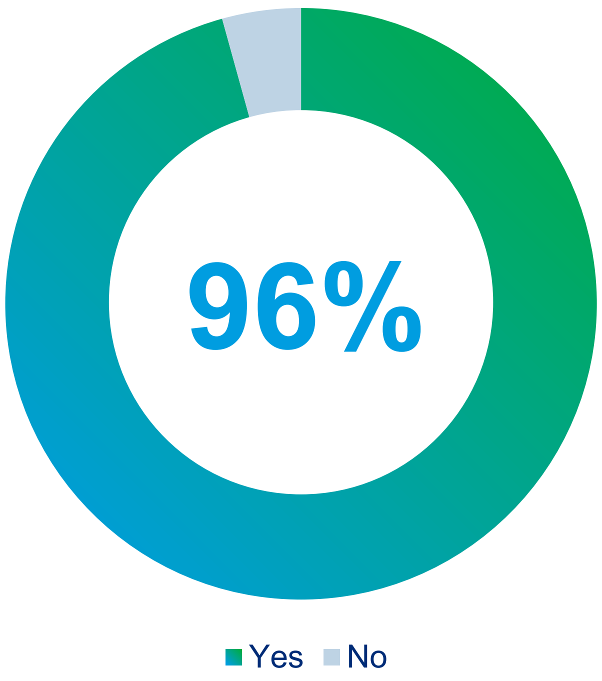
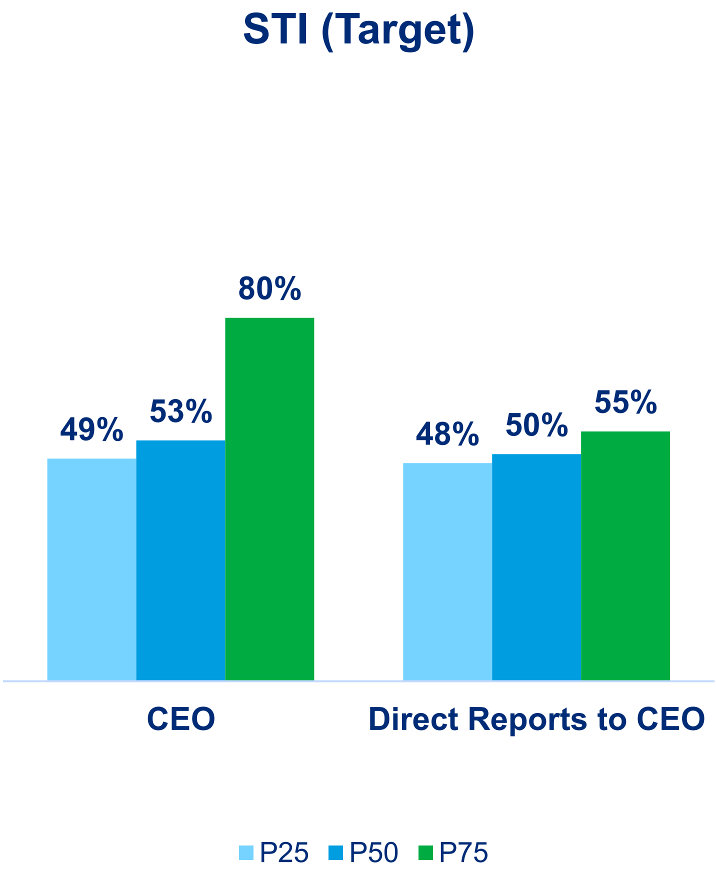
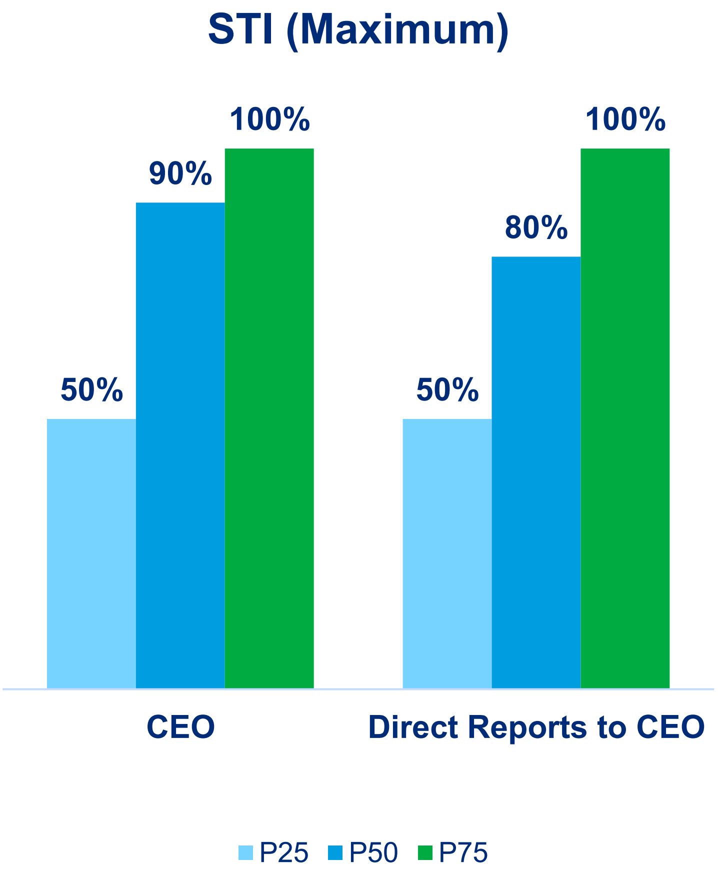
Short Term Incentives (STI)

STI Prevalence



STI Target and Maximum (as % of ABS)





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Short Term Incentives KPIs

Perfomance Measures

	% of companies
EBIT, EBITDA, Net Income	69%
TSR (Total Shareholder Return)	31%
ROCE, ROA, ROI	31%
EPS (Earnings per Share)	21%
Other Financial Measures	51%
CSR/ ESG	38%
Strategic Measures	10%
Other Non-Financial Measures	51%

Weight of Performance Measures

	Weight on P50
EBIT, EBITDA, Net Income	52%
TSR (Total Shareholder Return)	25%
ROCE, ROA, ROI	n/a
EPS (Earnings per Share)	25%
Other Financial Measures	26%
CSR/ ESG	22%
Strategic Measures	48%
Other Non-Financial Measures	45%

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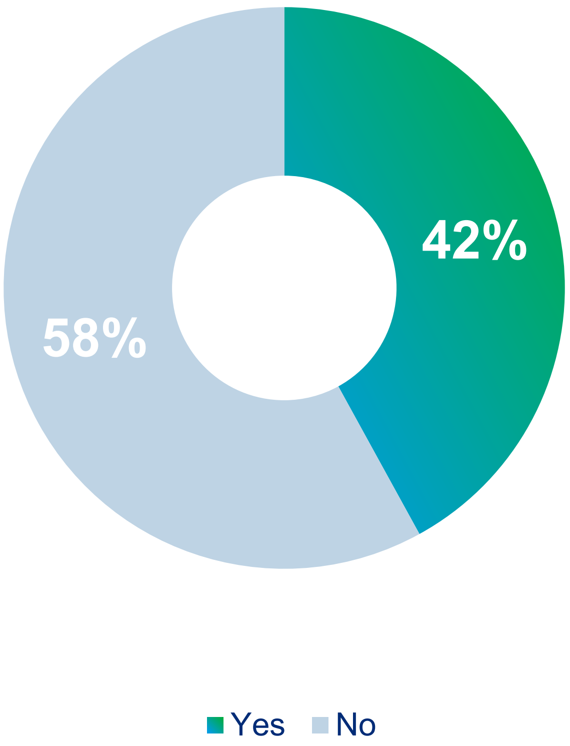
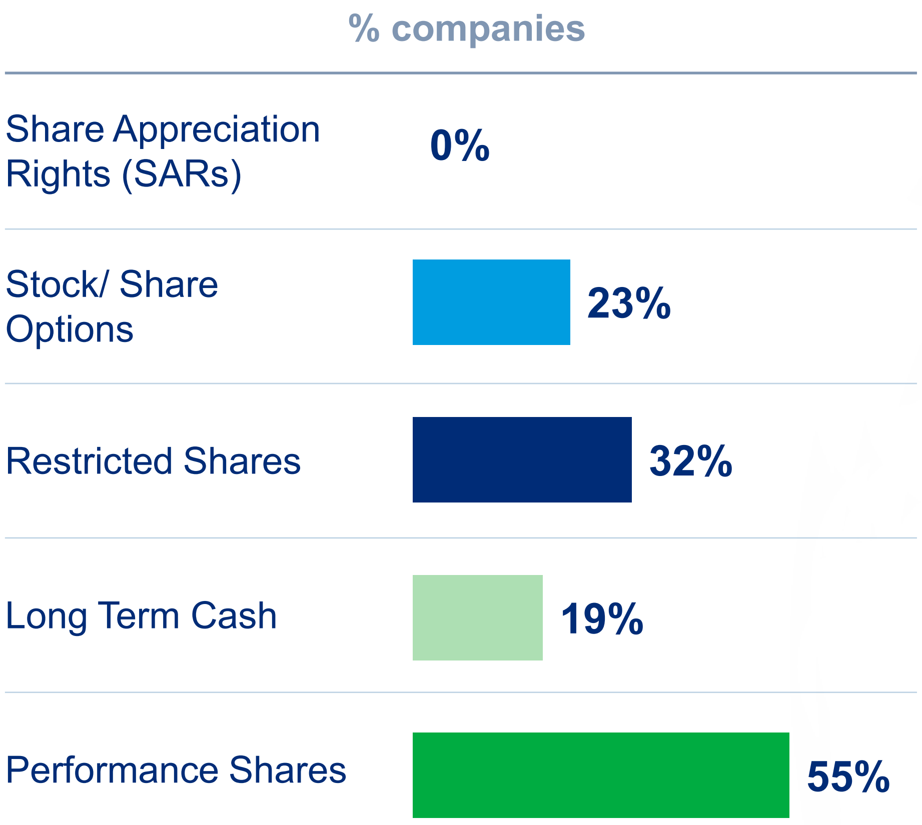
Long Term Incentives (LTI)

LTI Prevalence



Type of LTI Operated



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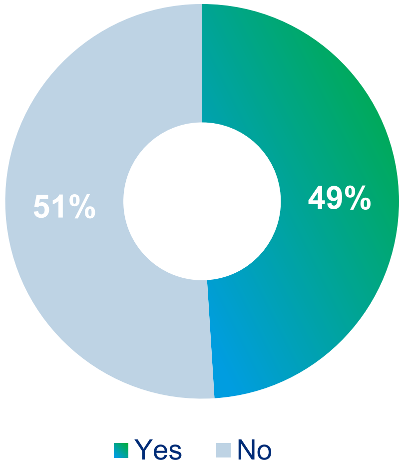
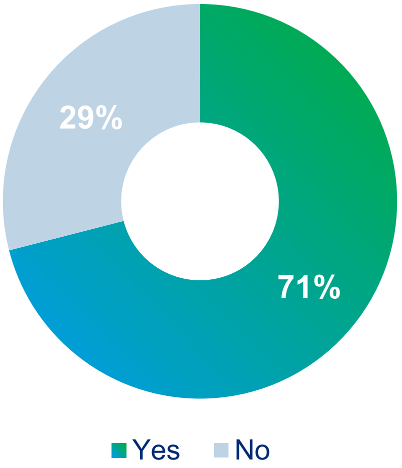
Benefits

Retirement Benefits



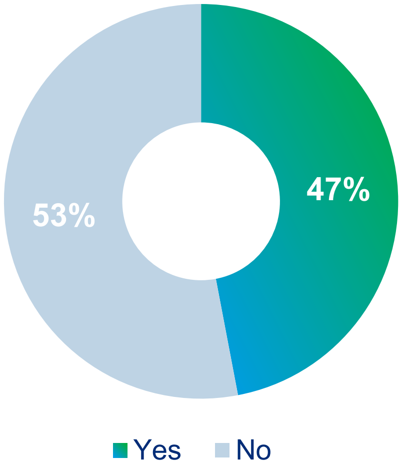
For **91%** of companies have DC Plans

Life Assurance



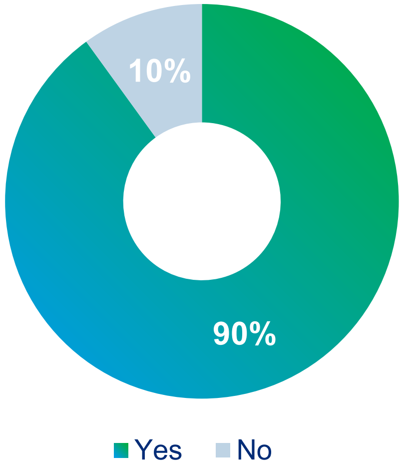
80% of companies considers other coverages in addition to death-in-service

Personal Accident Insurance



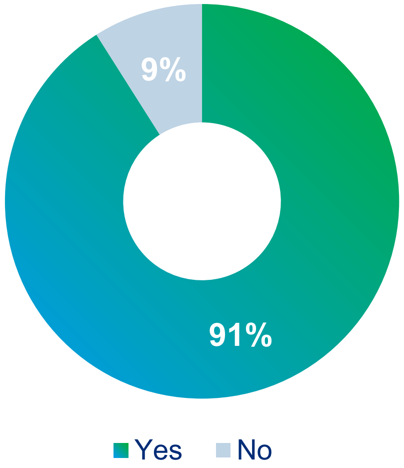
>95% of companies offer complementary coverages to death

Medical Plan



For **90%** of companies includes spouse and children

Company Car



For **29%** of companies includes personal driver (CEO)

Thank you!

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A regional perspective on Executive Reward

- **Peter Boreham**, *European Executive Rewards Practice Leader*

Mercer

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European Executive Reward Leader for Mercer

28 years' experience

Has advised many of Europe's leading companies

ERICSSON

GLENCORE

equinor

NOVARTIS

iss

arm

Carlsberg

polestar

UNIVERSAL

UNIVERSAL MUSIC GROUP

VOLVO

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Convergence of executive pay in European listed companies

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Convergence due to public policy

In particular the EU Shareholder Rights Directive

SRD Requirements

- Publication of pay policy with binding vote
- Publication of remuneration report with advisory vote

SRD Impact

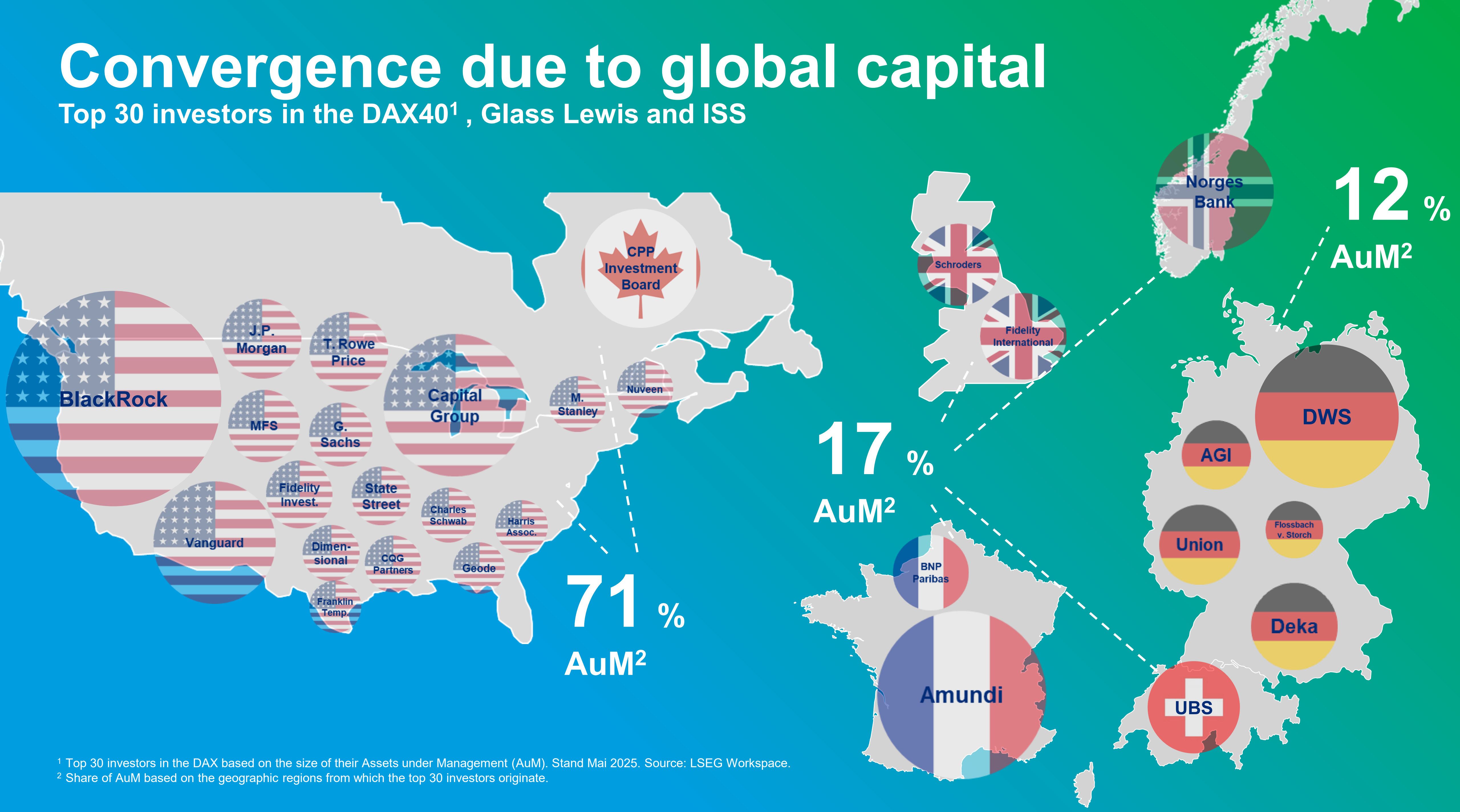
- Better information for investors, executives, employees, journalists, politicians
- Practical and reputational risks to a lost or low vote

Tax and accounting policies have also driven convergence

- Removal of tax-favoured status for share options in most markets
- Requirement to account for share-based pay

Convergence due to global capital

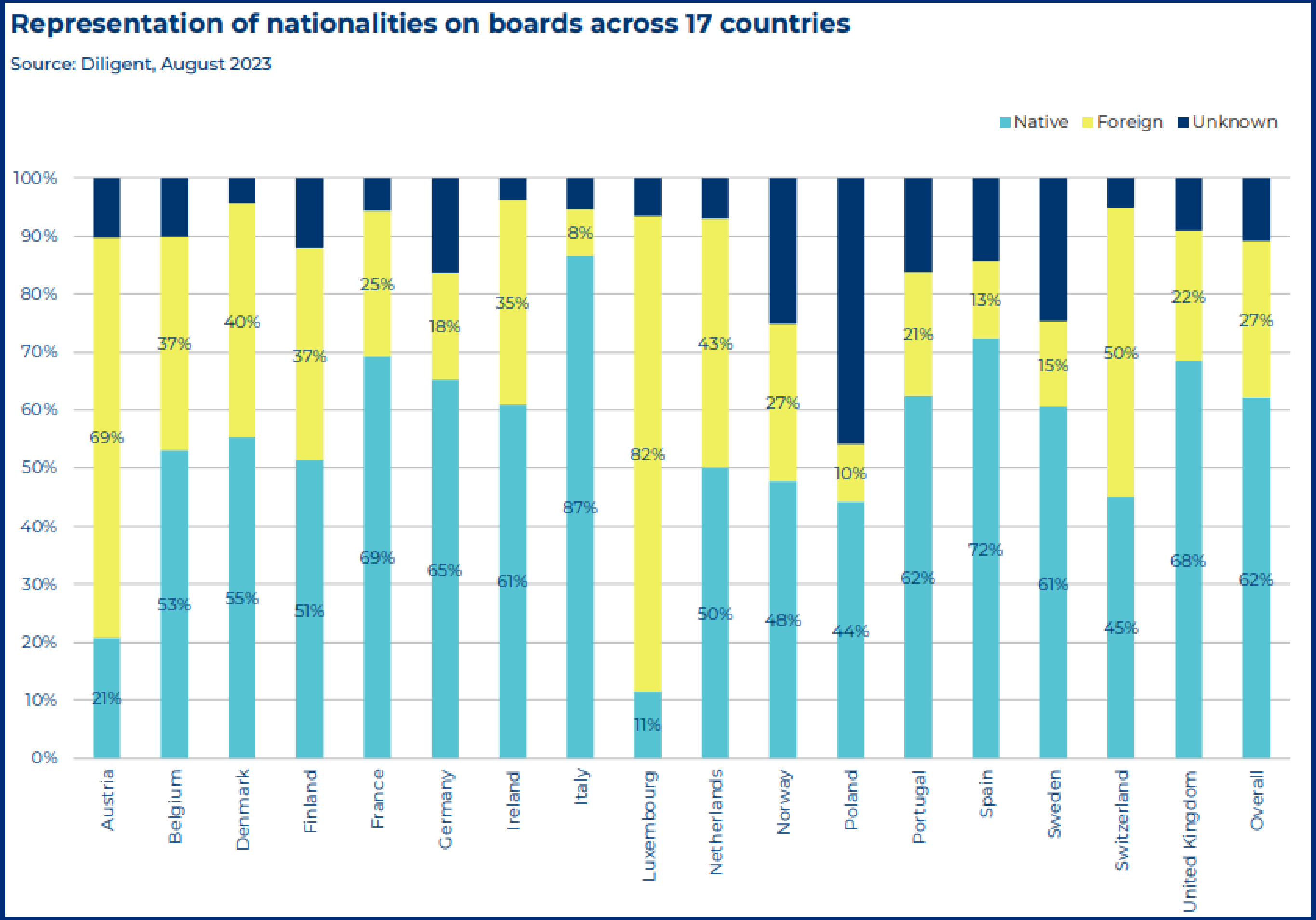
Top 30 investors in the DAX40[1] , Glass Lewis and ISS



[1] Top 30 investors in the DAX based on the size of their Assets under Management (AuM). Stand Mai 2025. Source: LSEG Workspace.
[2] Share of AuM based on the geographic regions from which the top 30 investors originate.

Convergence due to globalised Boards

Only 62% on average from home country (also 62% in Portugal)



What has been the impact of convergence?

✓

Bad practices removed

- Excessive termination pay
- Weak Pay for Performance
- High Executive Pay Inflation
- Excessive Pensions

✗

Unintended Consequences

- Increasing influence of proxy advisors, “box ticking” and “robovoting”
- Board risk aversion

?

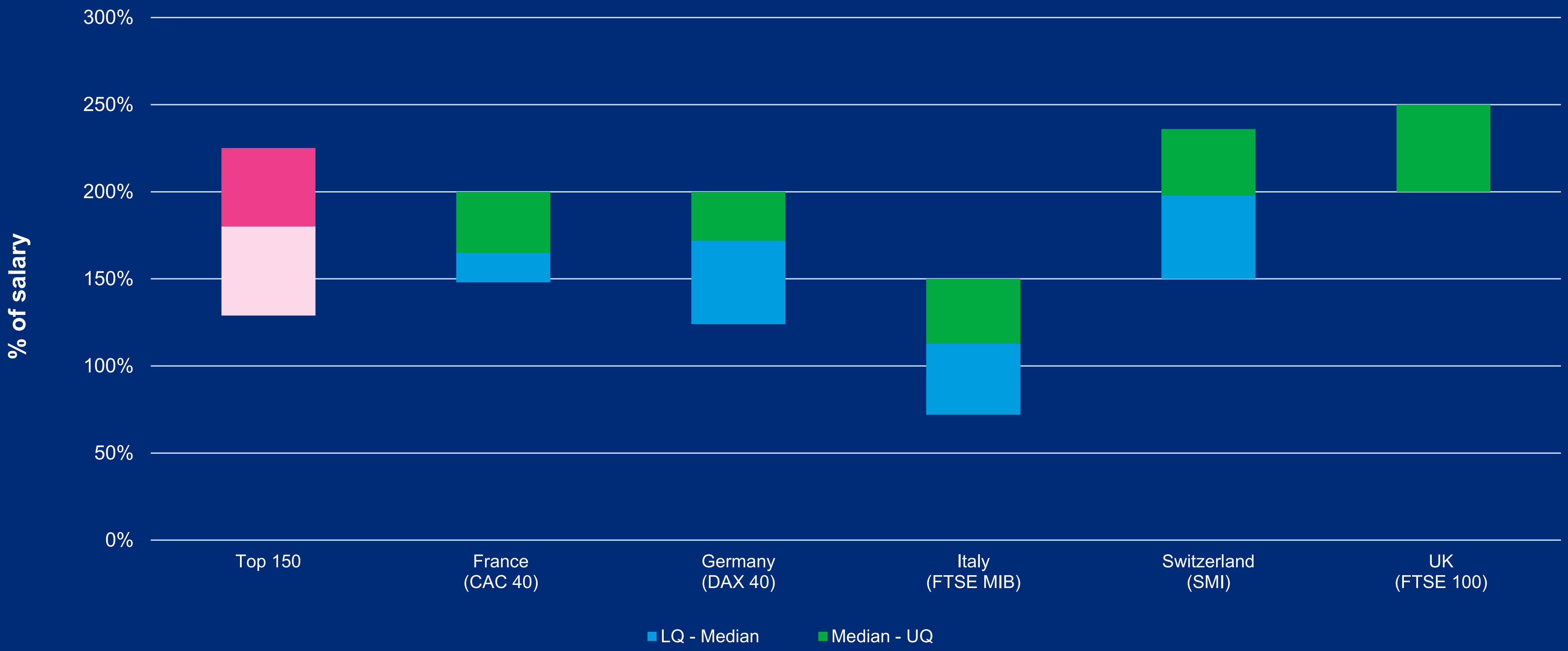
Results

- Conformity of incentive design
- Convergence of pay levels in large companies

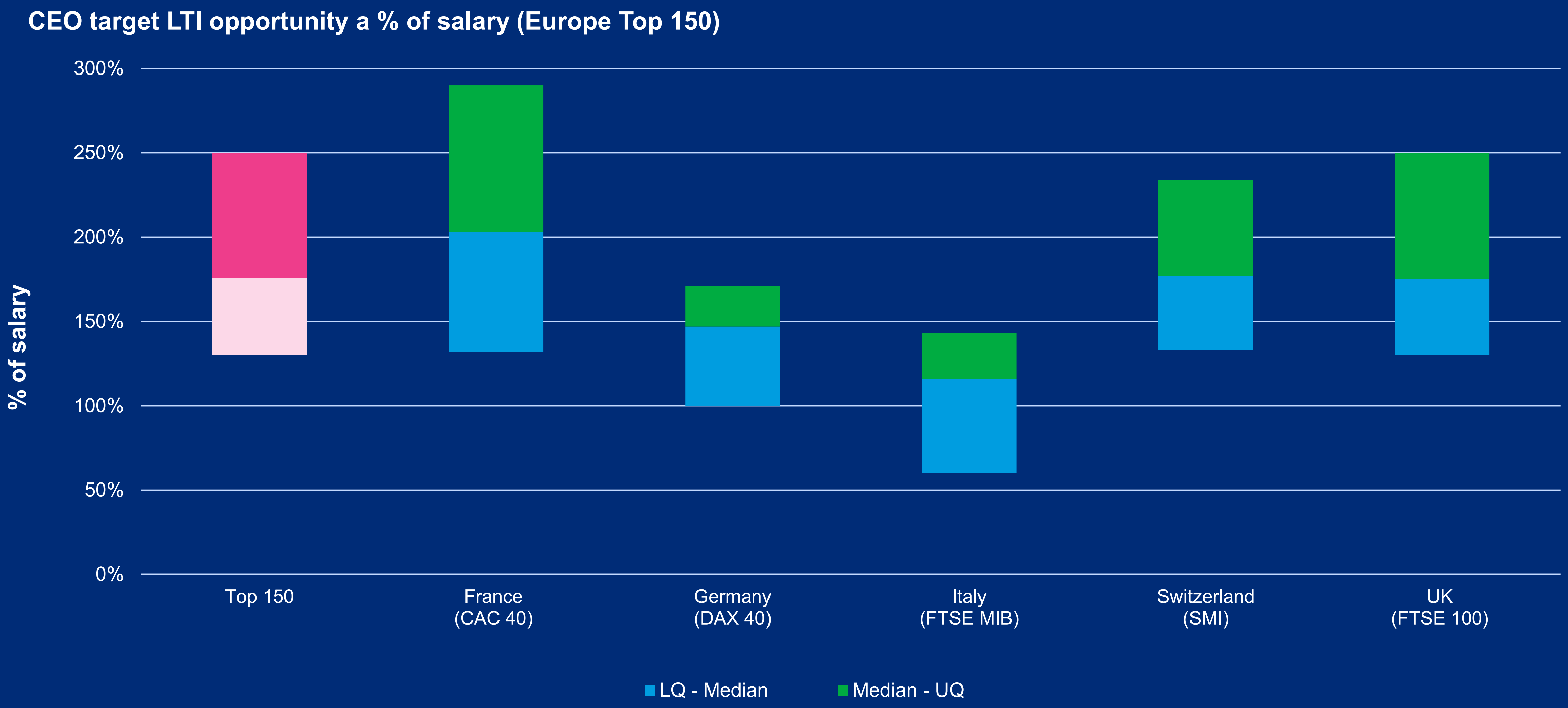
CEO salaries in large companies are converged

Annual Bonus levels are also similar

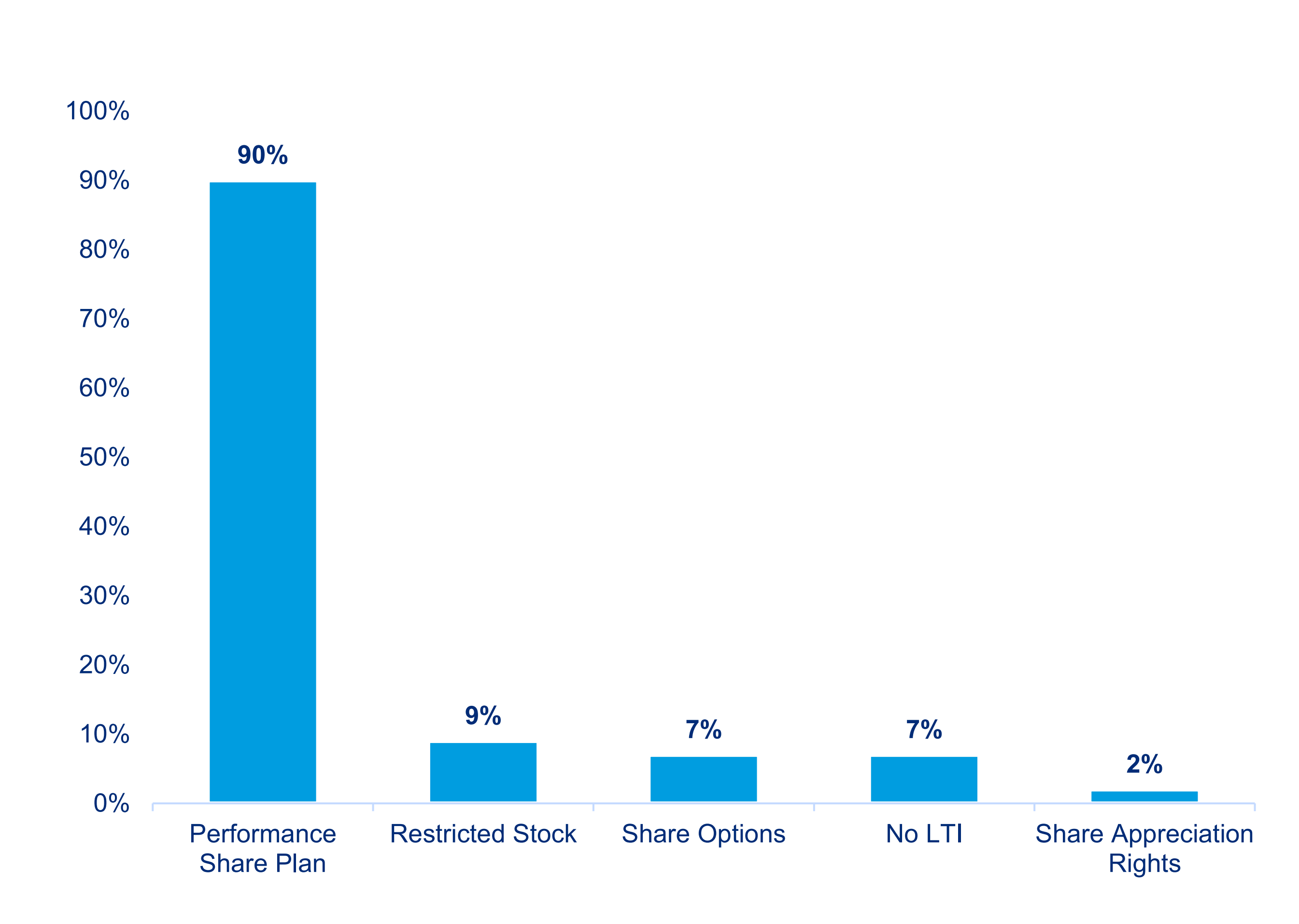
CEO max bonus opportunity as % of salary (Europe Top 150)



Long-term Incentives vary a little more



Large listed company long-term incentive plan types are highly converged (Top 150)



Positives

- ✓ "Standard design" is sensible
- ✓ Easier for investors to assess standard designs
- ✓ Easier to hire internationally

Negatives

- × One-size-fits-all doesn't suit companies with unusual business models
- × Too much influence of box-tickers – "retention plans don't work"

In other contexts, different approaches apply

Partly due to the lack of Principal-Agent Conflicts

Smaller Listed

Similar structure to large companies

Fewer performance conditions

Small companies may still use share options

Family Owned

Focus is on alignment to owner interest

Often simple scorecards focused on financial KPIs

PE – Exit Focus

Significant payouts for achieving exit above hurdle growth rate

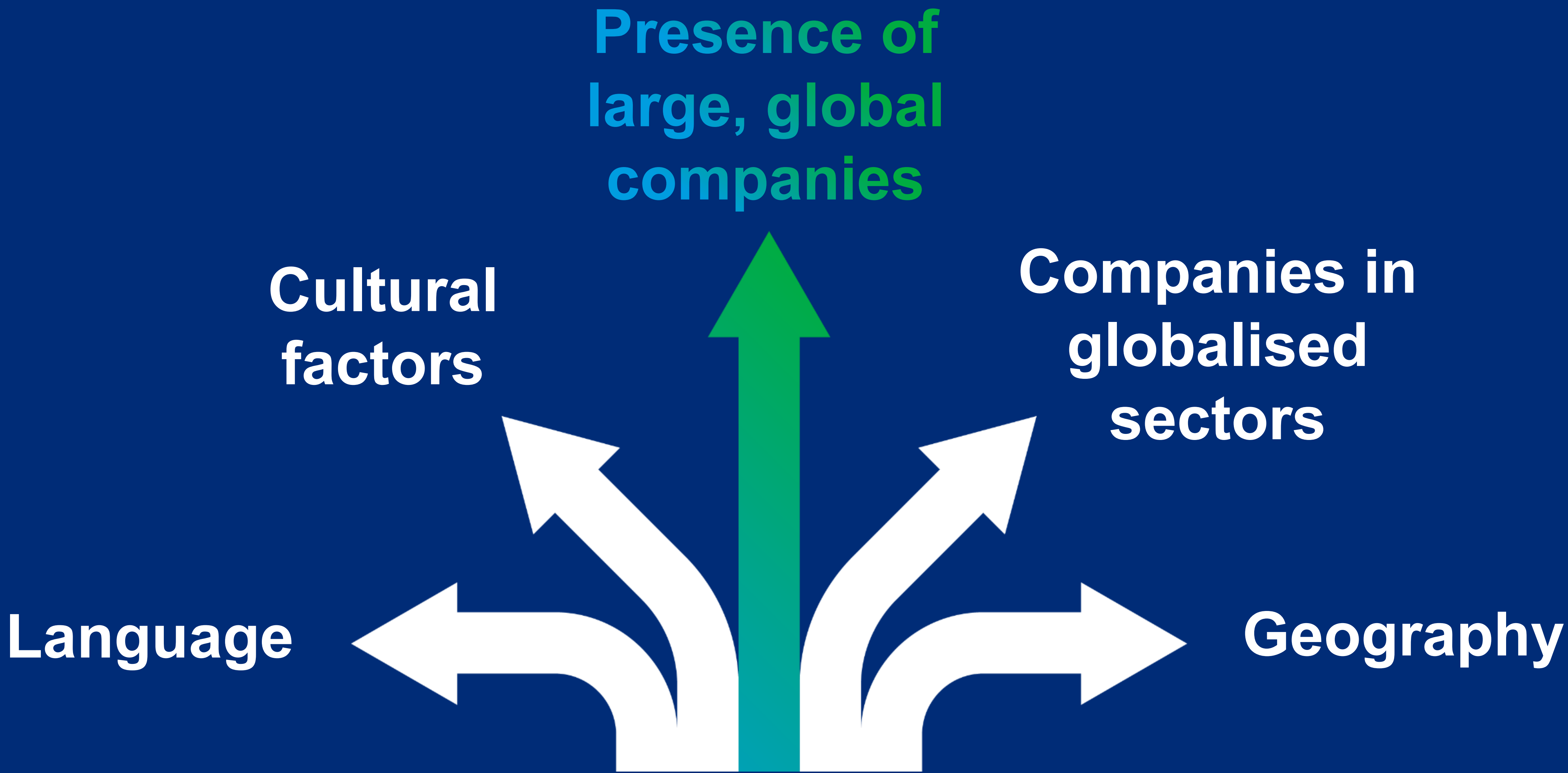
Timing and payout uncertain

Currently, we are seeing fewer profitable exits

PE – infrastructure

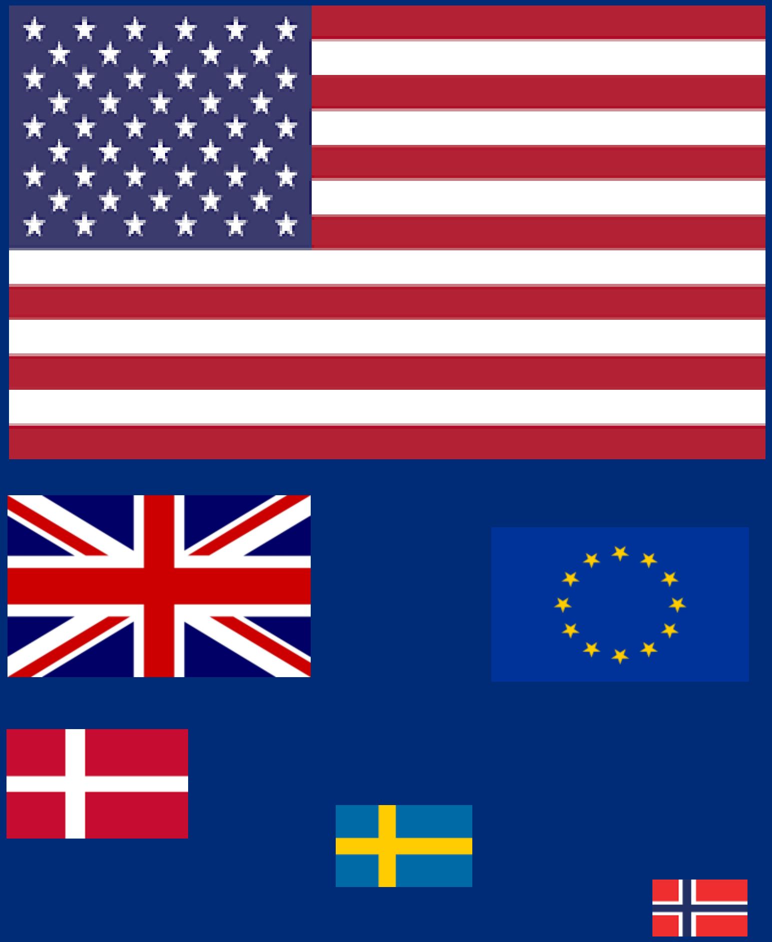
Scorecard based on financial and operational metrics and relevant non-financial (e.g. safety)

The degree of regional pay convergence in smaller countries depends on the context



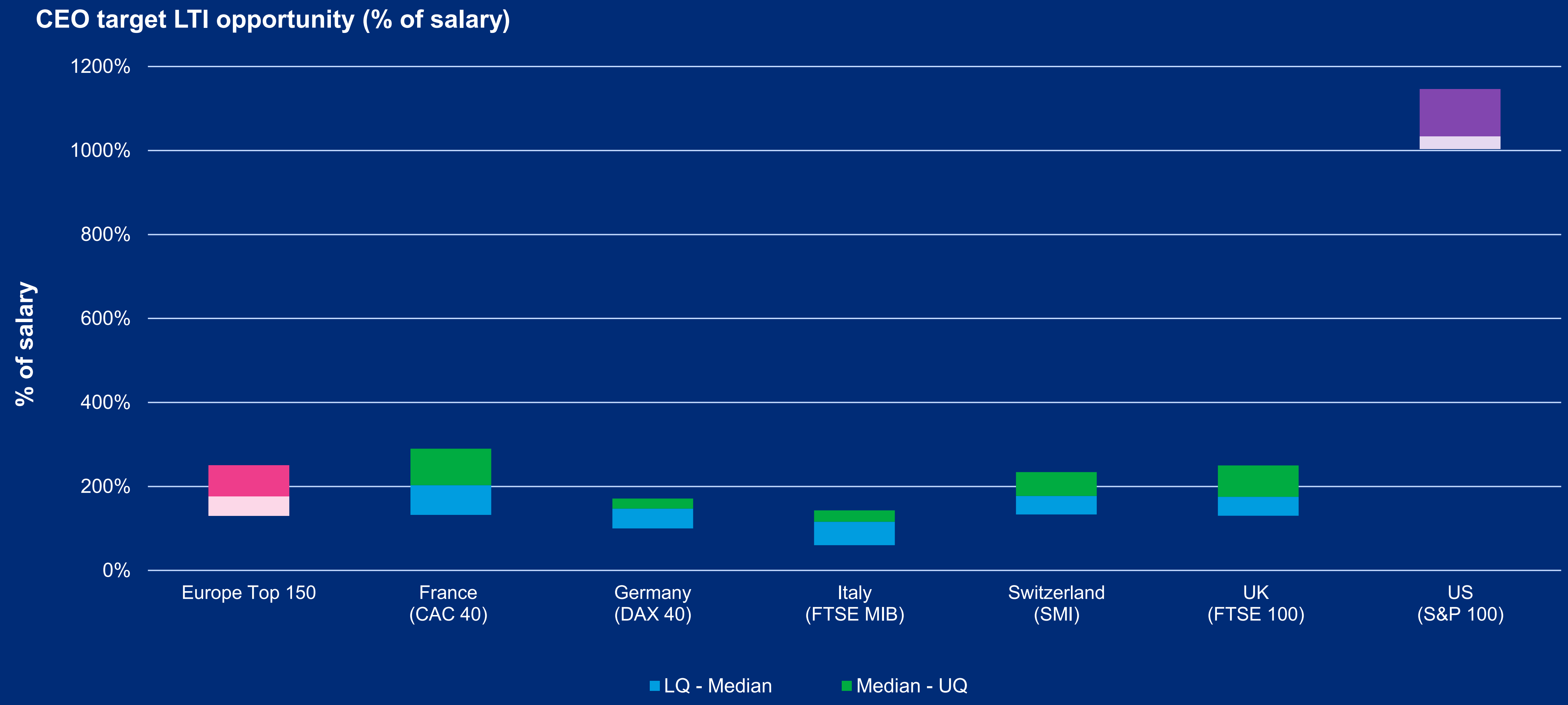
US CEOs are at a completely different level

(width to scale)



Data: Mercer analysis of annual report/proxy statement data (2023)

This is due to long-term Incentives



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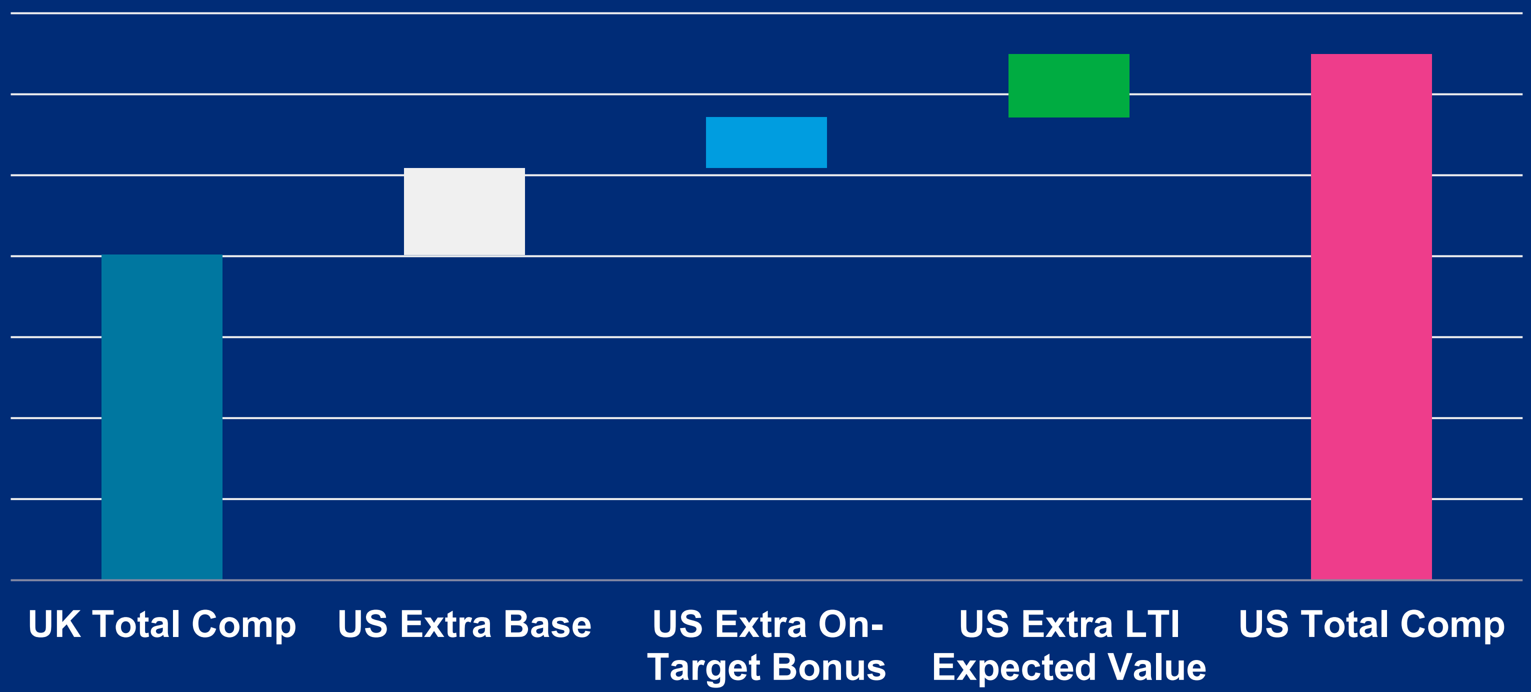
US total pay is also higher at CEO-2 but the difference is seen in all compensation elements



Data: Mercer surveys (2023)

2025 AGM Season

2

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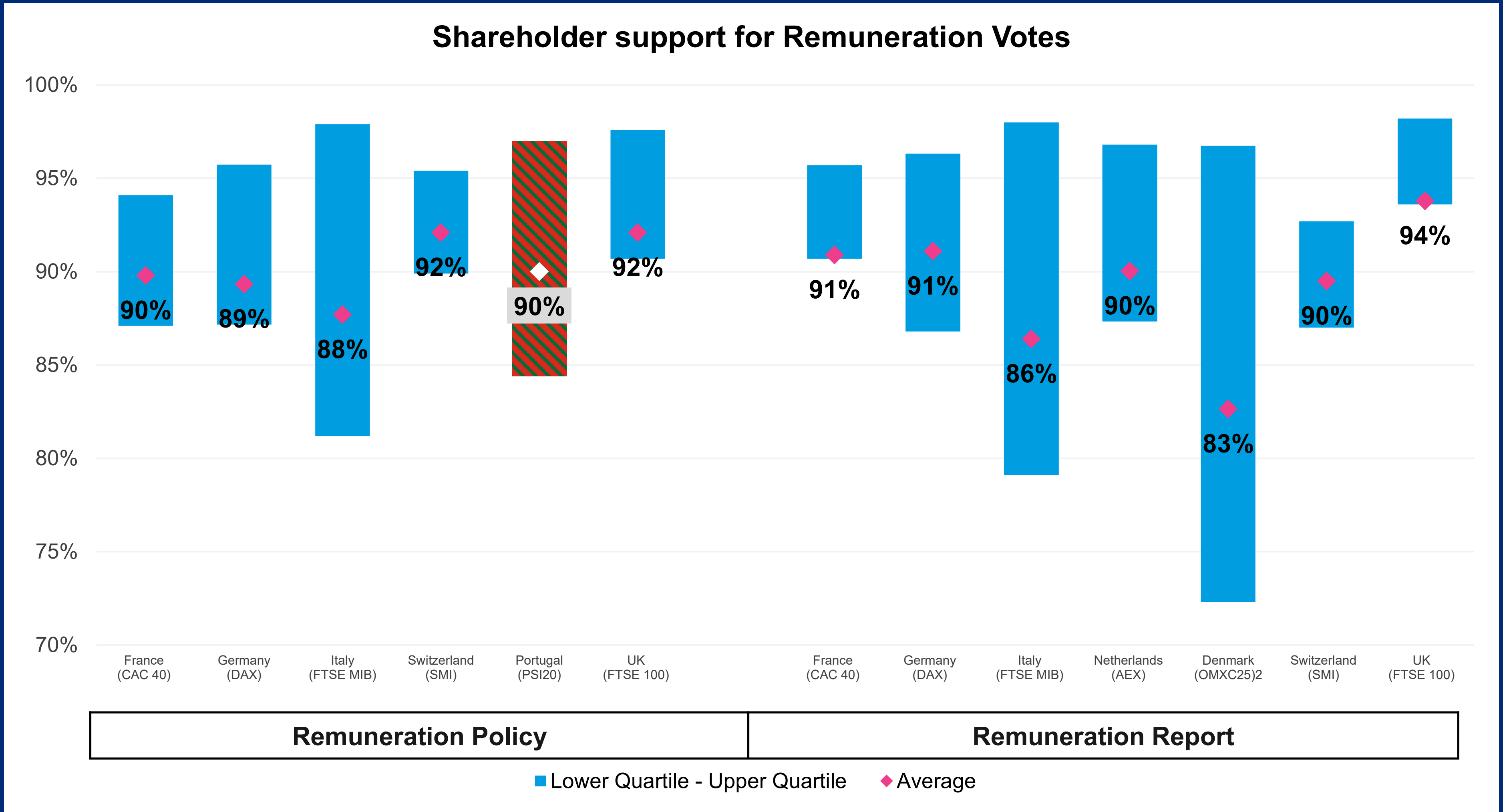
2025 AGM Season across Europe

Mostly benign but with a wider spread of outcomes this year compared to 2024



Lost / Low votes:

- No lost votes in France, Germany or Switzerland. However, Bayer and Carrefour once again had low levels of support.
- **Italy**: Prysmian' received 40.9% support for its remuneration report
- **UK**: Melrose received 34.4% support for its remuneration report.
- **Denmark:** Bavarian Nordic lost its vote.

Common Shareholder concerns

	Most common voting issues	Causes of voting issues in 2025
Quantum	*Significant salary increases*	✓
	Increased incentive opportunities	✓
Pay-for-performance	*Excessive discretionary bonuses*	✓✓
	Poor pay for performance linked to high incentive outcomes	✓
	LTI pay-outs for below median relative TSR performance	✓
	Discretion applied	✓
Disclosure	*Weak disclosure*	✓✓
Local market specific	*High pension (Germany)*	✓
	ESG targets and disclosure (Italy)	✓
	Leaver treatment (UK)	✓

Different attitudes towards climate and broader sustainability initiatives in Europe and North America

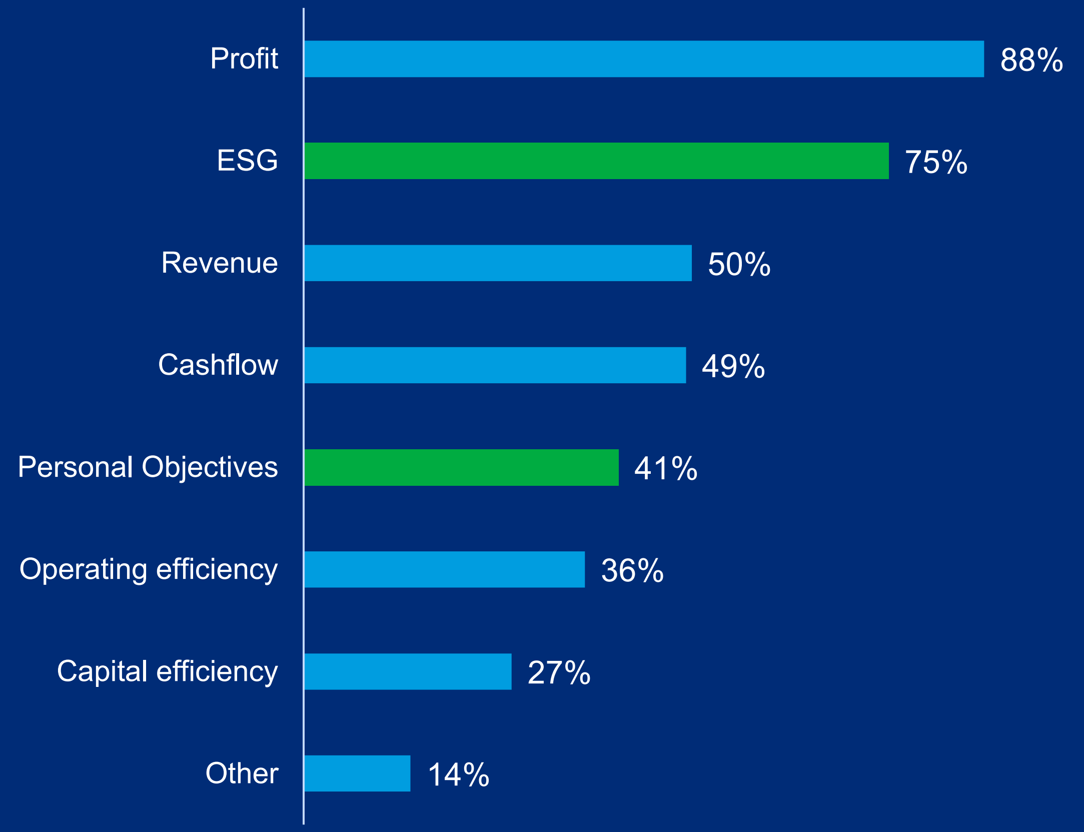
3

Emergence of ESG across Europe

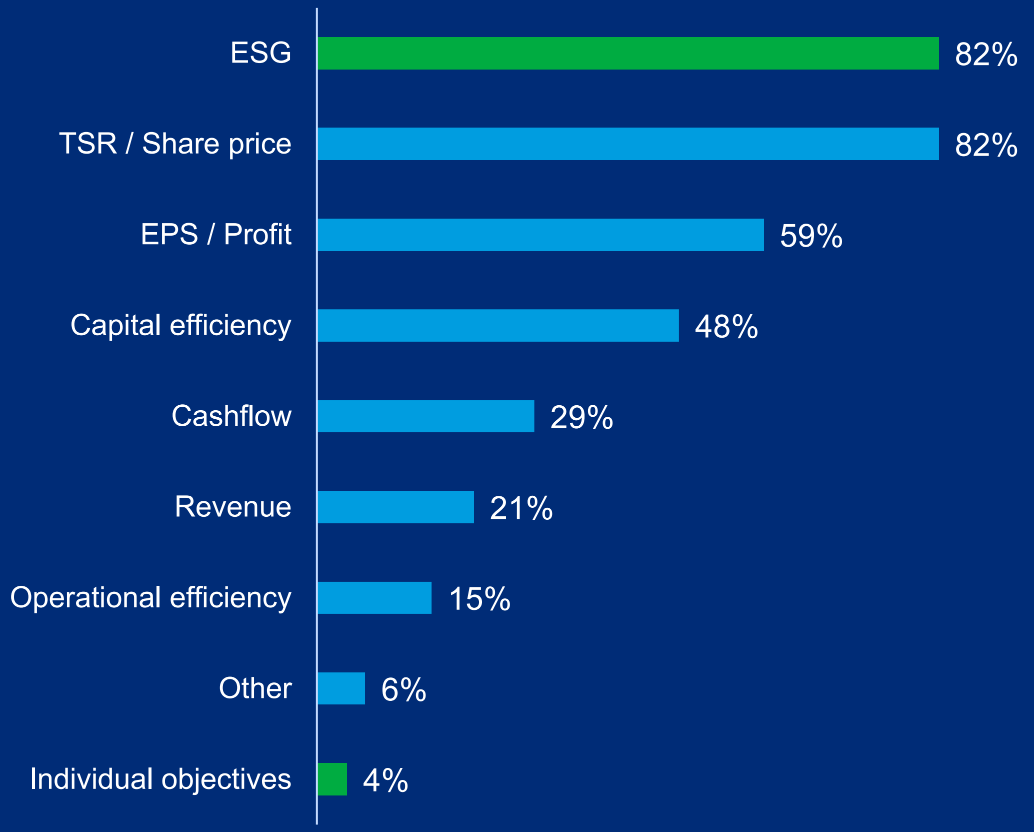
ESG is now the most or second most prevalent metric in variable incentives

Key
Financial Measure
Non-Financial Measure

Annual Bonus: Performance Measures
(prevalence as % of organisations)



LTIP: Performance Measures
(prevalence as % of organisations)



Source: Mercer's Board and Executive Remuneration in Europe report – September 2025

ESG in the US in retreat? (S&P500)

Overall ESG Observations

- Nearly 60% of S&P 500 companies analyzed have incorporated an ESG metric in their pay program which is a decrease on last years

Metric Types

- DEI and Environmental Stewardship continue to be the two most prevalent categories of ESG metrics in incentive plans, but DEI had the largest YoY decrease of any ESG metric (49% - 31%)

Metrics in STI and LTI Plans

- ESG metrics are usually used only in short-term incentive (STI) plans; on average, more than 90% of ESG metrics are used only in STI plans

Metric Grouping

- Most companies group ESG metrics with other ESG metrics or financial or strategic metrics

Evaluation Methodology

- ESG metrics are measured both quantitatively and qualitatively. There was a YoY increase in number of companies measuring ESG metrics qualitatively

Strategies for operating effective incentives in an increasingly volatile geopolitical context

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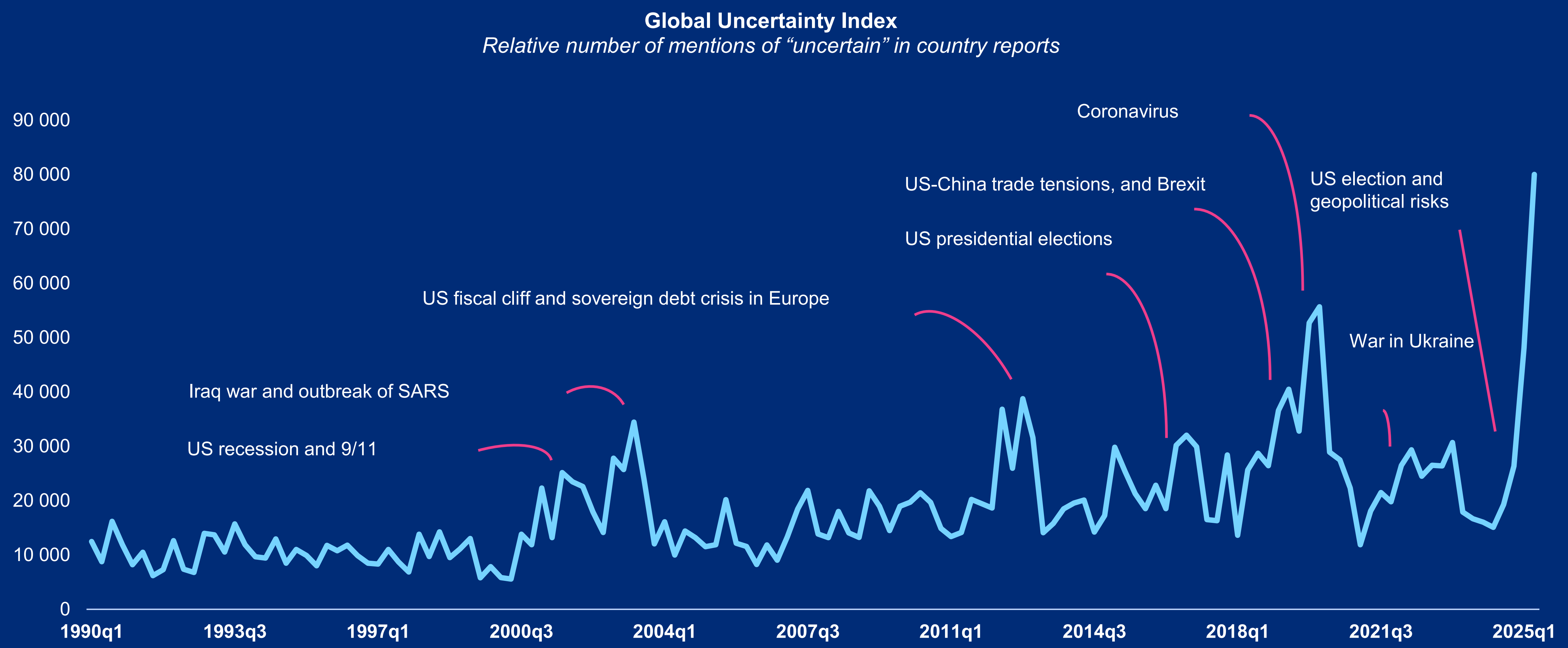
Peak volatility?



When volatility rises, investors and boards start asking different questions:
Where is capital flowing? What models survive shocks? Who creates value in this environment?

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Source: Ahir, H, N Bloom, and D Furceri (2022), “World Uncertainty Index”, NBER Working Paper.

Design Tools for volatility

1 Adopt Relative Metrics

"How did I perform relative to my competitors?"

Use Case: Relative TSR,

2 Dynamic Targets

"How did I perform relative to market conditions?"

Use Cases: Pegged to commodity prices, Market Share

3 Averaging Periods

"How did I perform over a longer period of time?"

Use Case: Rolling Averages

4 Managed Float Bands

"What is the level of variance I can tolerate?"

Use Case: ± 5% of FX Rate

5 Diversify Metrics

"What does performance mean to me?"

Use Case: Share price vs Profits

6 Gatekeeper Mechanism

"What do I need to achieve no matter what to get paid?"

Use Case: $X of Profit need to be achieved before any payout

The Discretion Test - Where / When to Use it?

Accountability and Consistency
Discretion should not shield executives from consequences of operational mistakes or poor judgement. Consistency is needed between upside and downside volatility

Line of Sight
Adjust only when performance is distorted by factors outside management's control

Materiality
Do not adjust for minor variances; discretion should apply only to material deviations

Time Horizon
Avoid discretion for routine fluctuations, apply only when longer-term performance is at stake

Shareholder Alignment
Apply discretion only when it strengthens alignment with long-term shareholder value

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