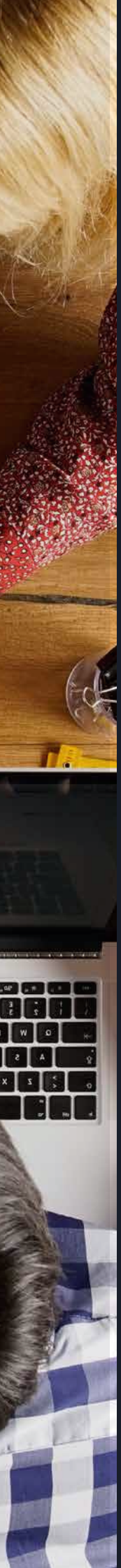
Is gender a factor for remuneration at CEO level?

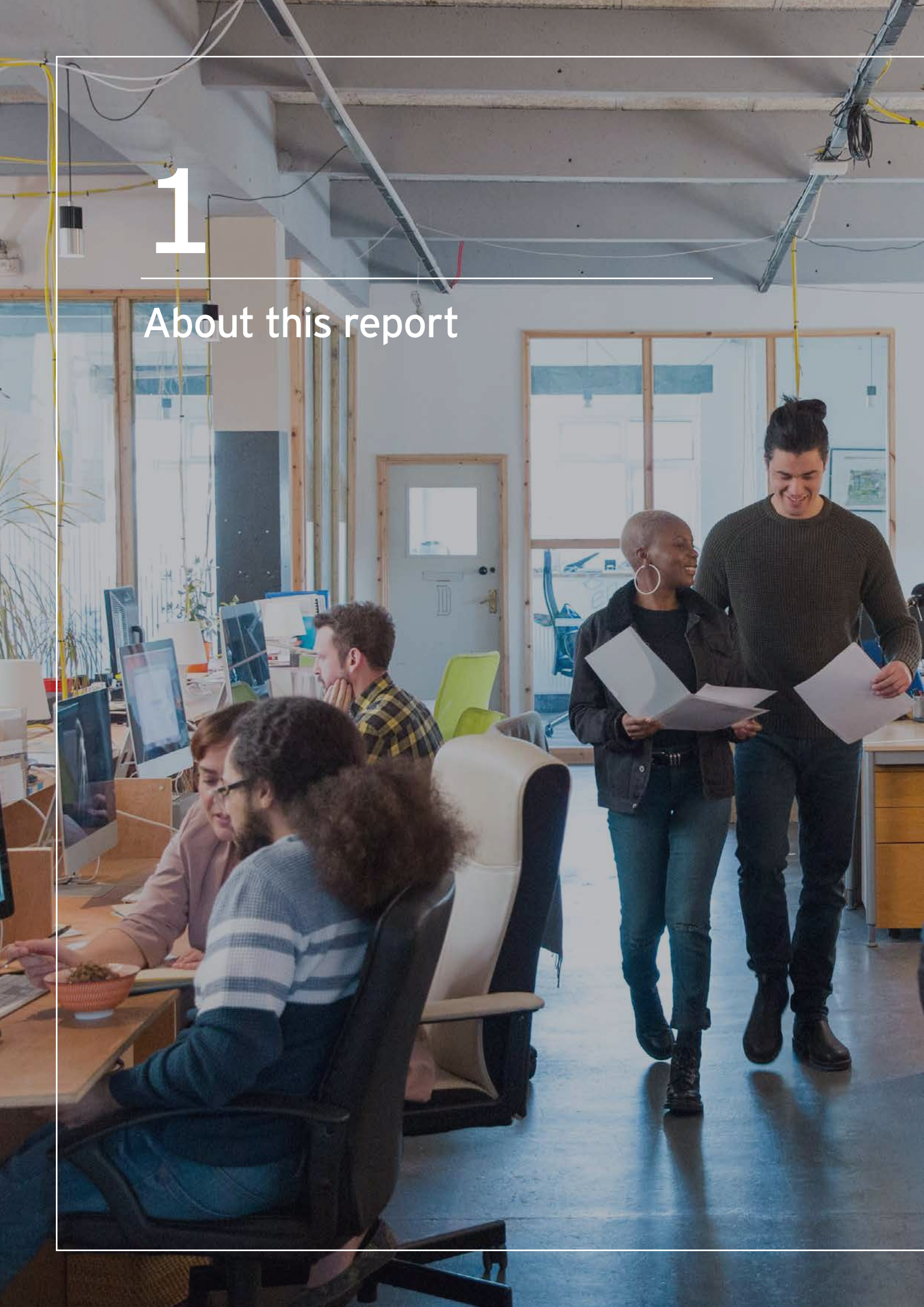
An EY analysis of the gender pay gap among CEOs of large-caps listed in Sweden.

The better the question. The better the answer.
The better the world works.

EY
Building a better working world

Content





1

About this report

On an annual basis, EY completes a CEO salary benchmark review based on pay data from listed large caps on Nasdaq Stockholm. When we published the report in 2019, we saw indications that short-term incentives (STI) were unevenly distributed between male and female CEOs. This raised our curiosity and the decision was taken to continue with an in-depth analysis.

We are now proud to present this report, which highlights differences in STI between male and female CEOs. As part of our exploration, we also took these findings to three of the listed large caps that we know work proactively with diversity and inclusion (D&I), namely Electrolux, Swedbank and Telia, to hear how they reason. We are happy to share their thoughts.

Our aim is to spark a discussion around gender and pay: do we still handle men's and women's experience differently when setting their salaries? Are we aware of our biases in how we view performance? And, perhaps most importantly, what can be done to mitigate such differences?

While our conclusion is that there is no single answer for such differences, it opens a dialogue on how we can all understand the current state and, together, create positive change in this area. Our belief is that we all need to be aware of our own gender biases when striving for a better working world. As always, we are happy to continue this discussion. Please feel free to get in touch.

Irene Lundell

Associate Partner, People Advisory Services Reward,
EY Sweden

irene.lundell@se.ey.com

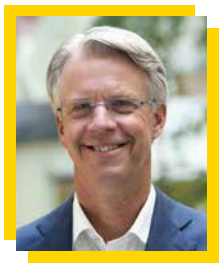
+46 76 149 85 86

Camilla Rundberg

Diversity & Inclusion Lead, People Advisory Services,
EY Sweden

camilla.rundberg@se.ey.com

+46 73 252 33 67



Göran Rosberg

Nordic Lead, People Advisory Services,
EY Nordics

goran.rosberg@se.ey.com

+46 70 334 41 52

2

Executive summary

More than 90% of the companies listed on the Nasdaq Stockholm Large Cap list state in their annual reports or websites that they are actively working with diversity and inclusion (D&I). Despite this, only 11% of the large-cap companies were run by female CEOs at the end of 2018. This figure has grown from 6% since 2014.

The EY team has conducted an analysis of CEO remuneration, based on annual reports from 2018. The analysis includes base pay and short-term incentives (STI) earned in 2018. The companies included were limited to those who pay in Swedish krona (SEK), resulting in sample population of 80 companies, of which 9 are led by female CEOs and 71 by male CEOs.

The analysis assumes a binary gender approach.

For this report, we divide the companies by size (see page 9). This is due to analysis showing that women are more prevalent among the smaller third of the large-cap companies: a group that has 29% female CEOs.

The average annual base salary for male CEOs is around SEK8.2m, whereas for female CEOs, it is SEK5.9m. This means that the female large-cap CEOs have, on average,a 29% lower base salary. The variation for smaller large caps is SEK5.1m vs. SEK4.5m, which means a 13% lower annual base salary for female CEOs.

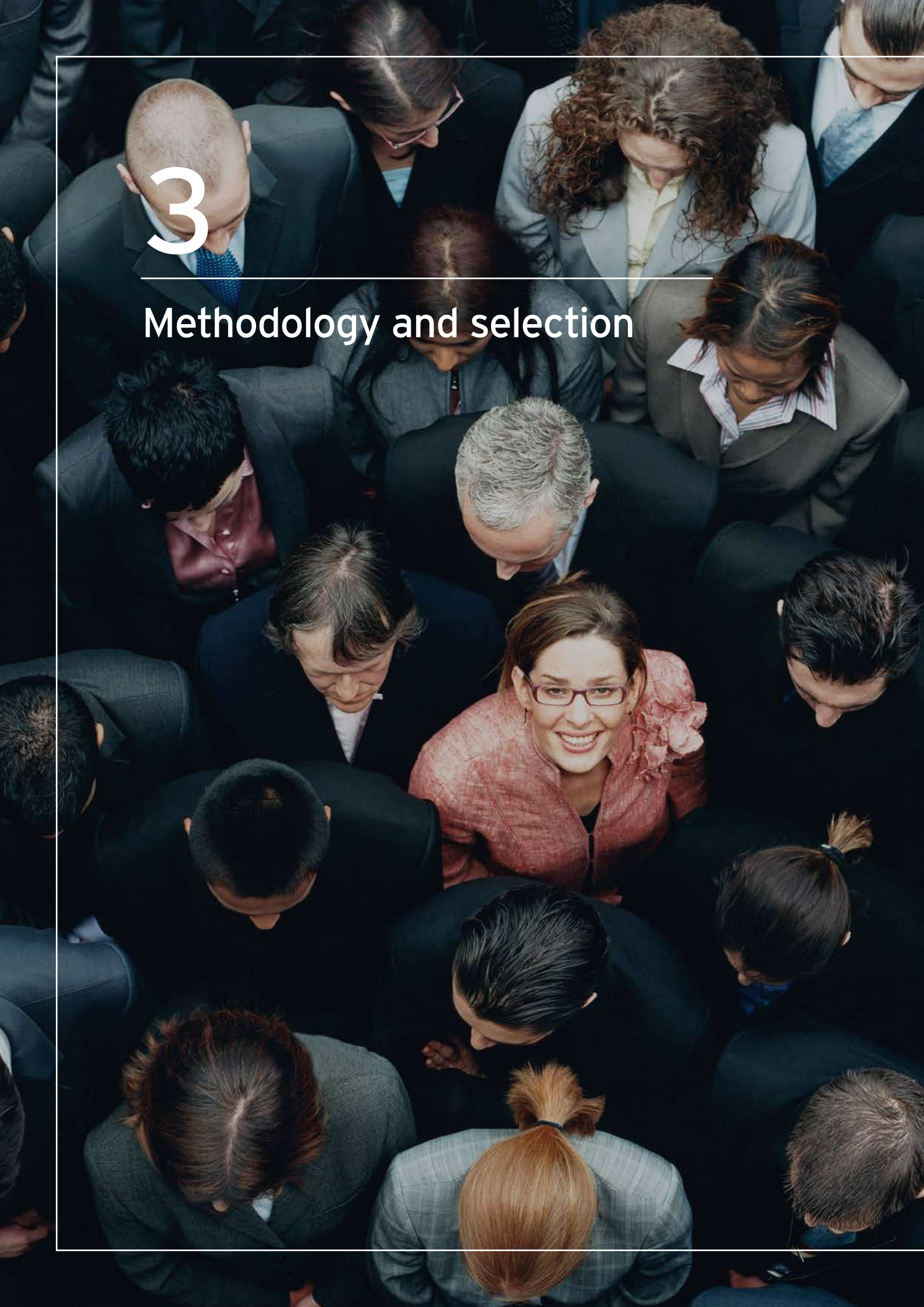
When analyzing STI we see the following:

- The **average earned STI** in 2018 is SEK3.1m for male CEOs and SEK1.3m for female CEOs (62% lower). For smaller large caps, the average earned STI is SEK1.8m vs. SEK1.1m, (39% lower for female CEOs).
- The **maximum percentage of STI** relative to annual base salary is on average 59% for all male CEOs in large caps, and 43% for all female CEOs in large caps. In small large caps, it is on average 50% for male CEOs and 40% for female CEOs.
- The **earned STI as a percentage of possible maximum** is on average 66% for male CEOs and 46% for female CEOs in all large caps, whereas on average it is 68% versus 42% in smaller large caps.

In the analysis section, we explore some possible explanations for these findings, inviting the reader to draw their own conclusions:

- Can company performance explain the differing payout levels in STI?
- Is it relevant if a CEO is recruited internally or externally?
- Does the amount of experience significantly differ between male and female CEOs?
- Would number of years with the company tenure and tenure in the CEO position impact earned STI?
- Are the differences industry-specific?
- Are there differences between companies with a more gender-equal board representation?
- Does gender bias explain the differences?

This report also includes points of view from three listed large-cap companies. They share inspiration on how and why the question is driven by top management to create a competitive edge and an inclusive culture with reduced gender gaps. To conclude, we present possible directions in which organizations can strategically work with D&I.



3

Methodology and selection

The analysis presented in this report includes remuneration data for companies on the Nasdaq OMX Stockholm Large Cap list at the end of 2018, as presented in their annual salary reports that were released during 2019. EY has previously released a report on CEO remuneration and LTI programs in large-caps, and we refer to this report "Trends in Executive Remuneration" for more detail about overall remuneration.

The total population of large caps by the end of 2018 consisted of 95 companies. In a few cases, data is missing due to different reporting standards in some countries. This affects data for companies with major listings outside of Sweden. Also, when comparing salaries, it is important to look at similar countries. Therefore, companies that do not pay salaries in SEK are excluded from the analysis, leaving a sample of 80 companies.

The companies on the Nasdaq OMX Stockholm Large Cap list 2018 are a heterogeneous group which, for more valuable analysis, was divided into three based on their size. We observed three financial KPIs that seemed to correlate to executive remuneration:

- Market capitalization
- Number of employees
- Total revenue

We then divided the companies into three groups using the criteria and assigned a weight to each criterion. Market capitalization seemed to be the strongest indicator of company size and was weighted at 50%, with the other two figures at 25% each.

The analysis shows that female CEOs are more prevalent among the smaller large caps. Therefore, in the gender pay analysis, we have presented the analysis from two perspectives: all large-caps and smaller large caps. Showing the smaller large caps separately indicates whether there are fewer differences between gender in a similar group of peers.

The 80 companies included are presented in the table below.

For companies that had a change in CEO during 2018, the analysis reflects the CEO at the end of 2018. In cases where we have compared annual payments, we have extrapolated this data to show annual results.

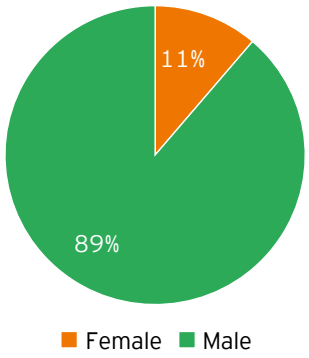
Larger large caps		Medium large caps		Smaller large caps	
Alfa Laval	ICA Gruppen	AAK	Lifco	Addtech	Kungsleden
Assa Abloy	Sandvik	Arjo	Loomis	Atrium Ljungberg	Munters
Atlas Copco	SEB	Attendo	Lundbergs-företagen	Avanza	NetEnt
Axfood	Securitas	BillerudKorsnäs	MTG	Balder	Nolato
Boliden	Skanska	Bravida	NCC	Beijer Ref	Nyfosa AB
Electrolux	SKF	Dometic Group	Nibe	Betsson	Pandox
Epiroc	SSAB	Elekta	Nobia	Bonava	Resurs Holding
Ericsson	Swedbank	Getinge	Peab	Castellum	Sagax
Essity	Trelleborg	Hexpol	Ratos	Fabege	SCA
H&M	Volvo Group	Holmen	SAAB	Hemfosa Fastigheter	SOBI
Handelsbanken		Husqvarna	Sweco	Hufvudstaden	Thule
		Indutrade	Swedish Match	Industrivärden	Wallenstam
		Intrum Justitia	Tele2	JM	Wihlborgs Fastigheter
		Investor	TeliaSonera	Kinnevik	Vitrolife
		Latour	ÅF	Klövern	

■ Female CEO at the end of 2018.

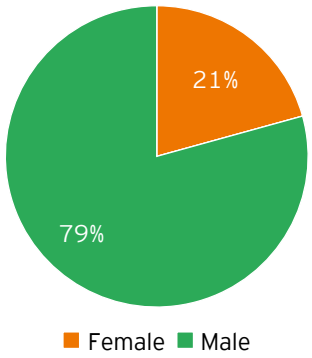
Female and male CEOs in large caps

Of the 80 companies included in this analysis, there were in total 9 (11%) female CEOs and 71 (89%) male CEOs. In the smaller large caps, 6 women (21%) were CEOs and 23 men (79%); only one company among the larger large caps had a female CEO by the end of 2018.

Gender of CEO, all large caps

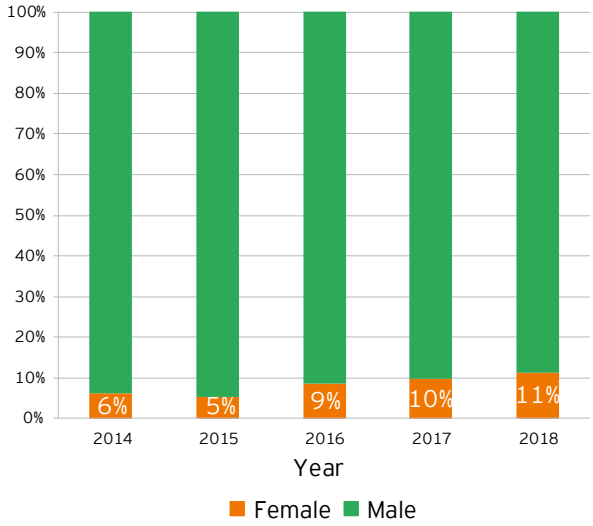


Gender of CEO, small large caps



Since EY started the remuneration benchmark in 2014, the number of female large-cap CEOs has grown from 6% to 11%.

Gender of CEO, all large caps 2014-18



The limited number of female CEOs makes data comparison difficult. It is hard to say if there is a statistically significant discrepancy, as one could argue that the sample is too small to see individual differences not based on gender.

The limited number of women also means that a female outlier affects the average to a greater extent than a male outlier and it is therefore difficult to gain relevant insight.

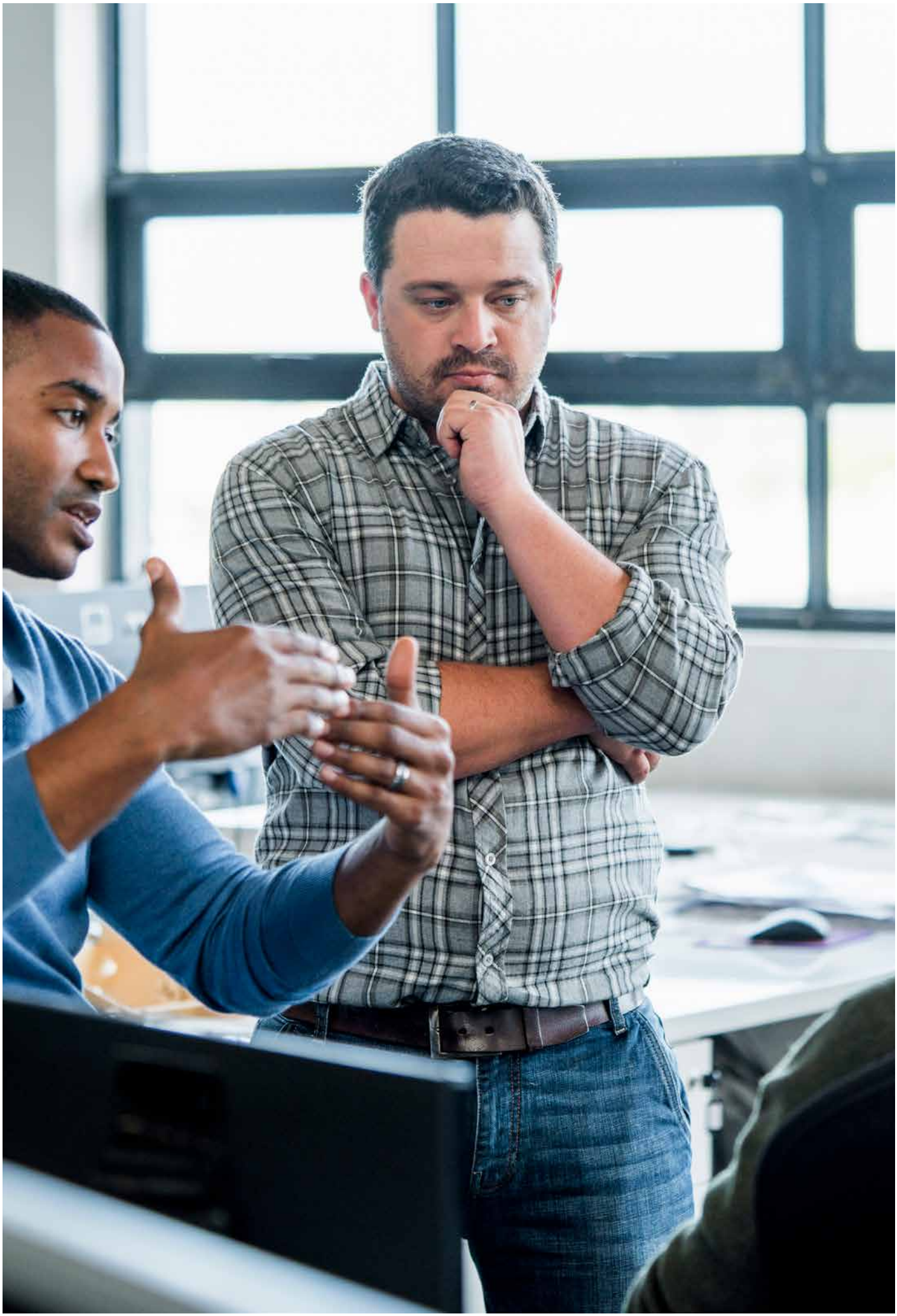
We see pay gaps based on gender overall in society, and research indicates that this is due to a lack of gender representation. Therefore, another possible explanation is that payment in CEO positions is also skewed based on gender.

Remuneration principles in large caps

In our latest benchmark report for salaries for CEOs in large caps, we concluded that companies are increasingly using remuneration not only to reward a strong financial performance, but also to attract and retain top talent and align stakeholders. This means that companies must define the kind of behavior the remuneration should drive and the purpose behind incentive plans.

In this report, we investigate how large caps remunerate based on gender. For LTI we saw no visible differences between men and women. For base pay and STI, we see discrepancies. Therefore, we have included an analysis of actual payouts, which should measure the behavior a company is rewarding.

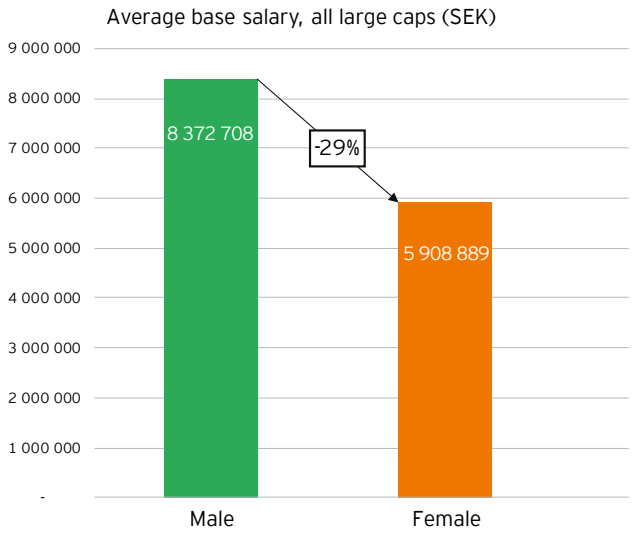
Our STI focus in this report is earned STI during 2018.

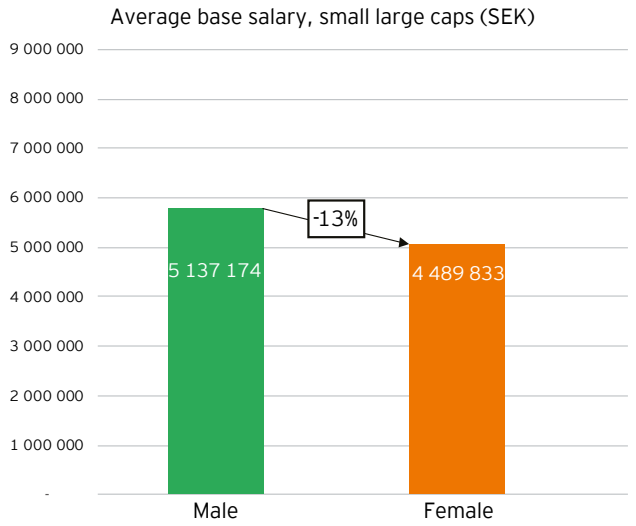


4

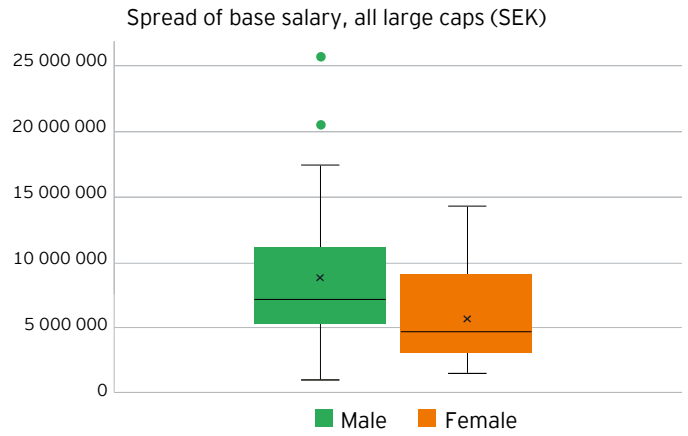
Base pay

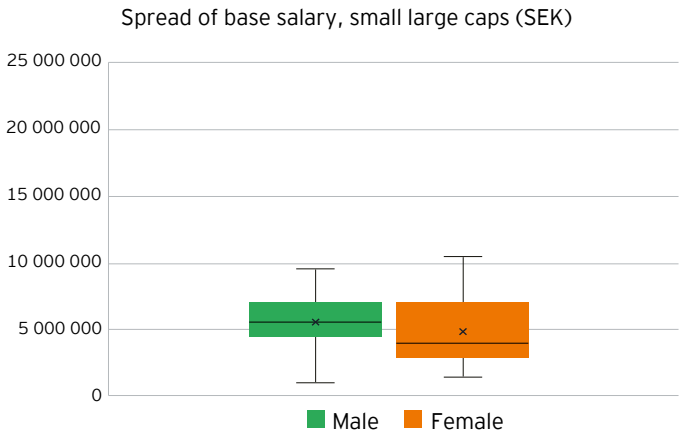
The average paid base salary differs between men and women. Analyzing all large cap salaries, the average base salary for female CEOs is 29% lower than for male CEOs', and for smaller large caps, the average is 13% lower.

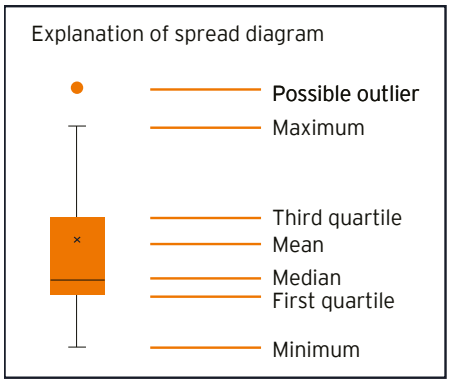




For all large caps, the first and third quartile shows the same spread for men and women, but the spread is positioned higher for men. There are more upward outliers for male CEOs. Relative to the smaller large caps, the spread starts and ends higher among women, but the average is lower, since most women are at the lower part of the box plot diagram.





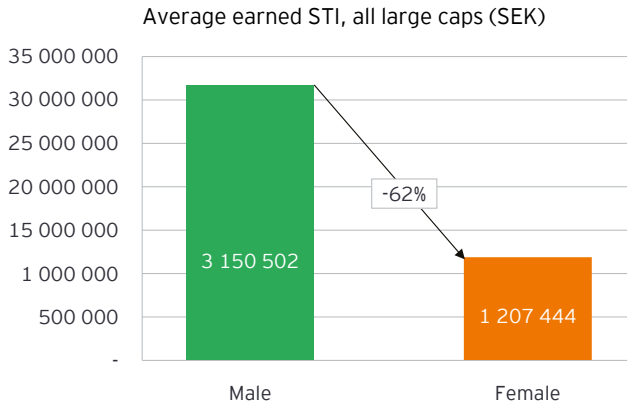


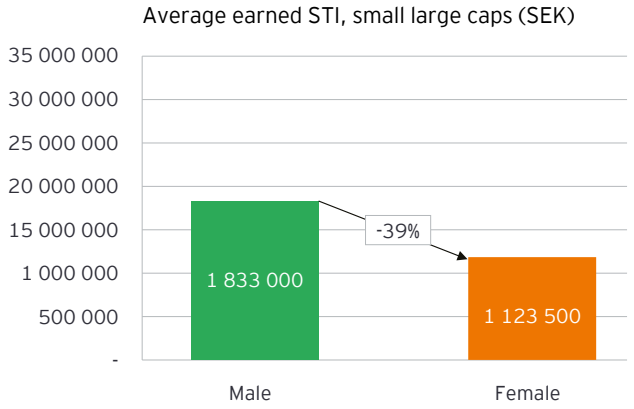
5

Short-term incentives

The average earned STI, i.e., earned in 2018 and paid in 2019, varies between male and female CEOs.

Women receive a bonus payout that is on average 62% lower than men in all large caps, whereas, in the smaller large caps, the bonus payout is on average 39% lower.

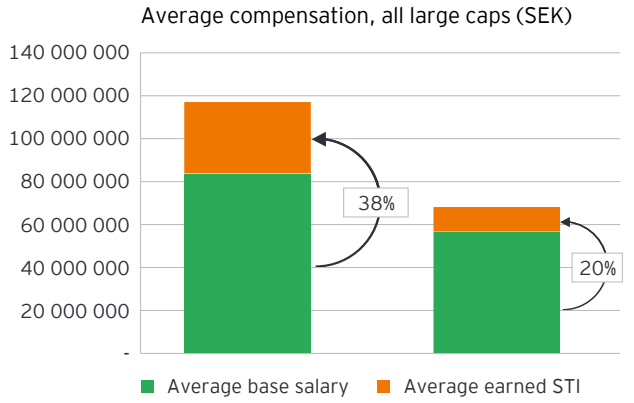


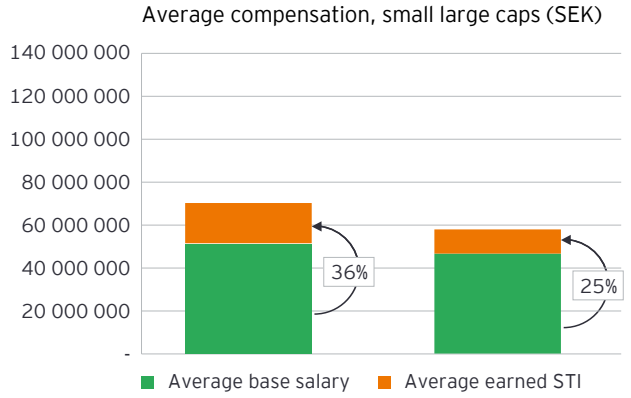


Earned STI in relation to base salary

For large-caps, the average STI earned in relation to base salary was 38% for male CEOs and 20% for female CEOs. For smaller large caps, it was 36% for male CEOs and 25% for female CEOs respectively.

It is evident that a lower base salary gives a lower earned STI. But the differences between gender cannot be explained only by a lower base salary. Therefore, we continued our exploration with a review of the STI structures.

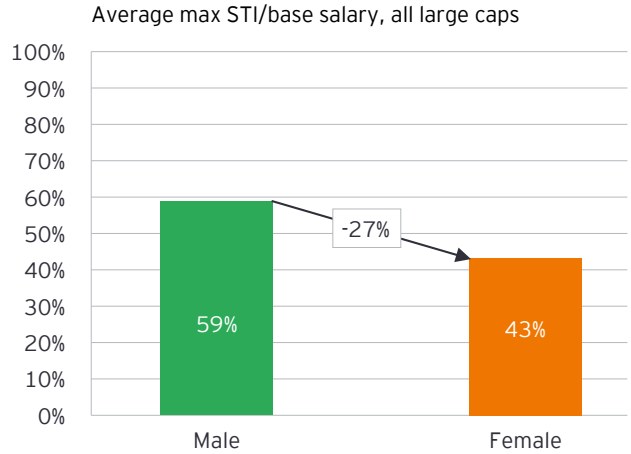


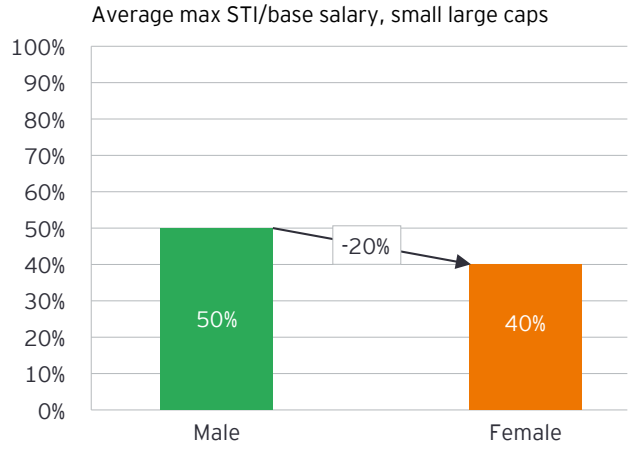


Maximum bonus as percentage of base pay

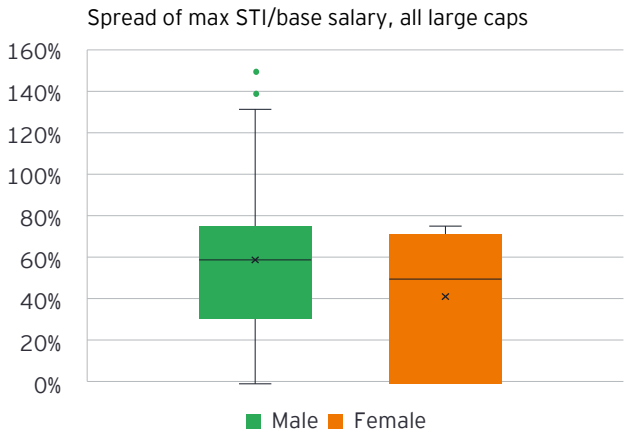
The maximum bonus that a CEO can receive is usually negotiated as a percentage of the base salary.

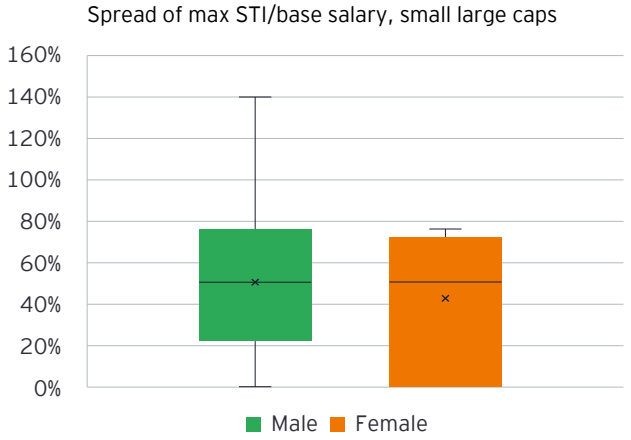
The average maximum STI for male CEOs in all large caps is 59%, whereas for female CEOs, the same figure is 43%, which is 27% lower. Relative to the smaller large caps, the maximum STI differs, with an average of 50% for men and 40% for women, resulting in a difference of 20%.

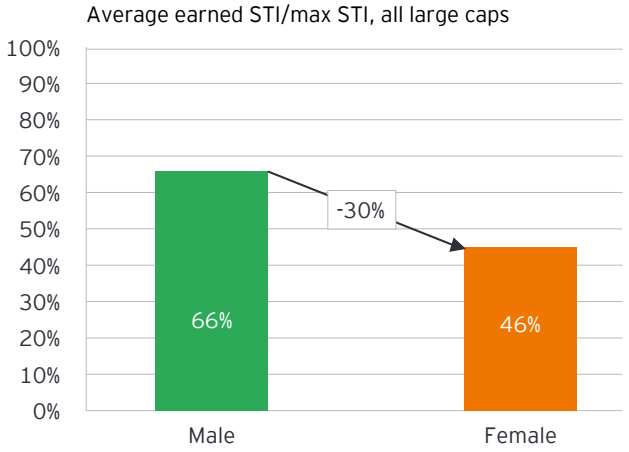


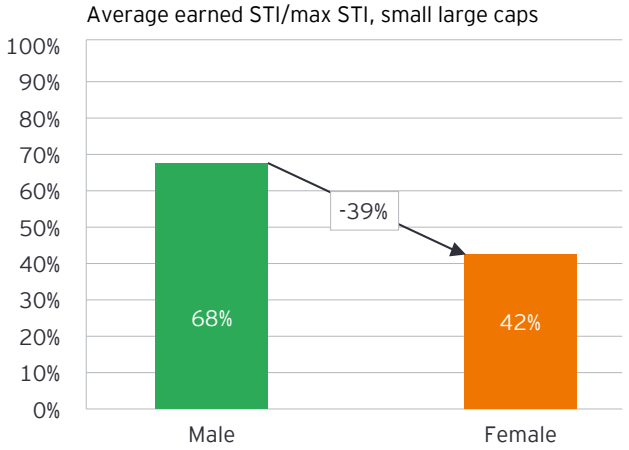


The spread is different between male and female CEOs. Among all large-caps, the median differs, with 10 percentage points between men and women – 60% and 50% respectively. For smaller large caps, the medians are 50% for both male and female CEOs. There is a larger spread upward for men. The spread downward for women in all large caps can partly be explained by one woman who was leading a larger large cap company with a policy decision implemented by the former male CEO not to have any STI for the CEO. However, this does not explain the downward spread among smaller large caps.





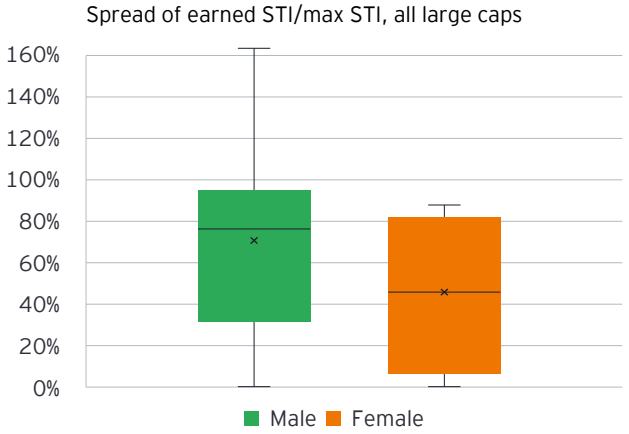


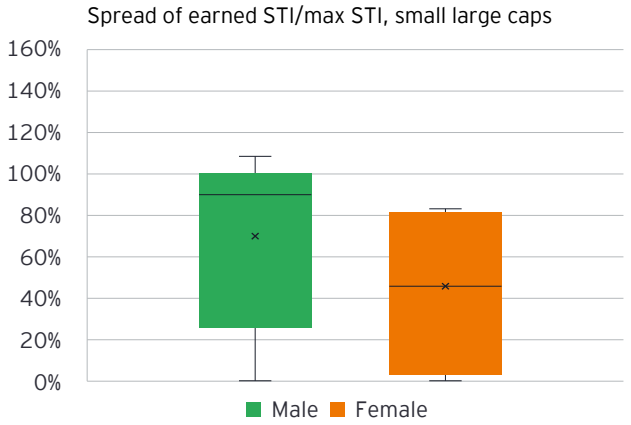


Actual bonus payouts as percentage of maximum

STI targets at the CEO level for listed companies are usually set as financial targets for the whole company. As such, they serve as a performance indicator for both the company and the CEO. It is not possible to find targets broken down for each company in the annual salary report data. But a high actual payout relative to the maximum should indicate that a CEO has performed well in their job. A low actual payout compared with the maximum should indicate that a CEO has not performed as well. In the top-right graphs, we have excluded CEOs that do not have STI.

In the graphs below, we see that female CEOs receive a lower payout in relation to the maximum, compared with male CEOs: 30% lower for all large caps, and around 39% lower for small large caps respectively.





Several male CEOs have received an amount greater than the maximum bonus payout, whereas no female CEOs has received more than the stipulated 100%. This bonus payout situation is often referred to as an "exceptional performance" in the annual reports.

Summary of short-term incentives

Our data shows that female CEOs receive lower STIs than their male counterparts.

It can be partly explained due to their lower base salary, but even when comparing STI as a percentage of based salary, we see differences. It is also shown that:

- Female CEOs in large caps have a lower maximum ceiling than male CEOs.
- Female CEOs receive lower payouts compared with the maximum ceiling than male CEOs.

Is gender a factor for remuneration at CEO level?

6

Analysis – possible explanations

While we are dealing with a small sample, it is interesting to investigate possible reasons that explain these results.

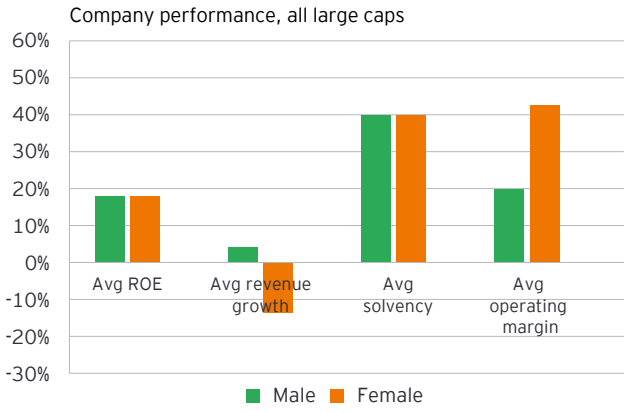
There is no clear-cut answer to the gender pay gap presented in previous sections. We will discuss some possible explanations, but leave the conclusions for the reader to draw.

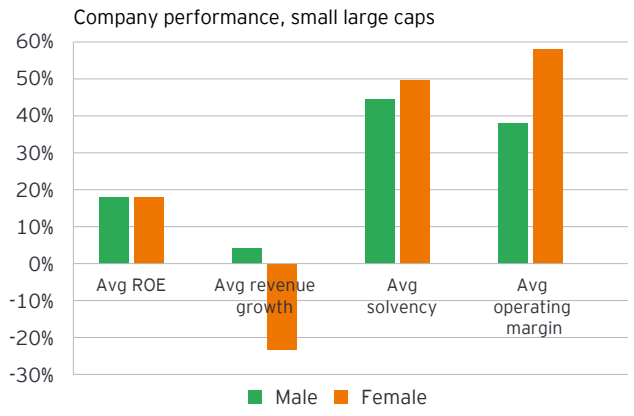
Can company performance explain the different payout levels in STI?

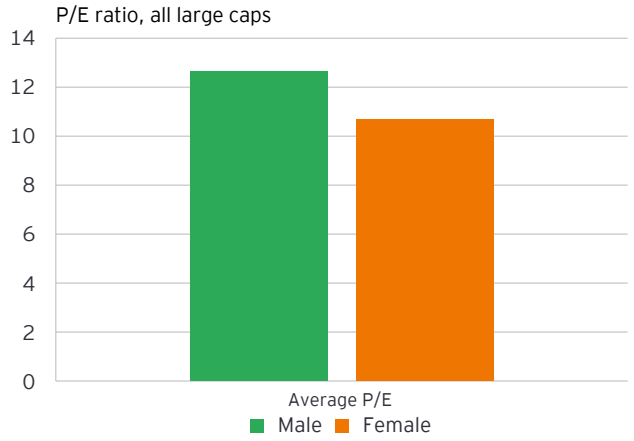
One reason for the differences in STI payouts compared with maximum levels is that companies perform differently, and that compensation varies as a result. Quite simply, the better a company performs, the higher the CEO reward. We have therefore looked at some KPIs. While we cannot see each CEO's individual targets, we have looked at commonly used indicators to determine the performance of the company.

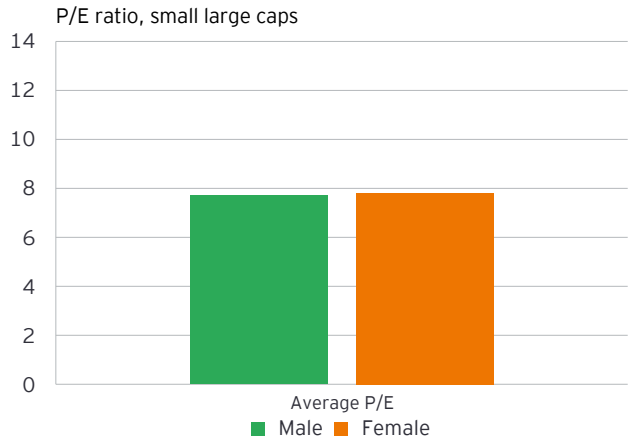
The following indicators have been considered.

- **Price per earnings (P/E):** measures the current share price relative to earnings per share and demonstrates how the company share is valued on the market
- **Return on equity (ROE):** measures net income divided by shareholders' equity and illustrates how effectively management is using a company's assets to create profits
- **Revenue growth:** measures sales increase and decrease over time and illustrates how fast a business is expanding
- **Solvency:** demonstrates the ability of a company to meet its long-term debts and financial obligations
- **Operating margin:** shows how well a company is being managed and how risky it is; calculated by dividing a company's operating profit by its net sales









In Appendix 1, we show variations in each KPI in more depth.

Outliers become more visible in small samples. The negative average revenue growth among female-led companies can be explained by one investment company that has actively divested assets during the relevant period, resulting in negative revenue growth.

It is therefore not possible to say that company performance could explain differences in earned STI between male and female CEOs.

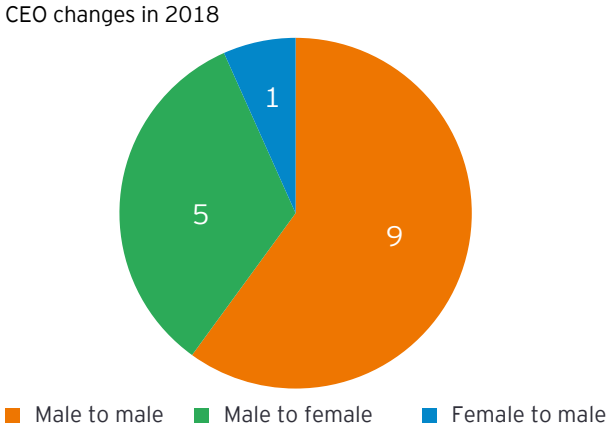
Sources: annual reports and fact sheets issued by Morningstar.

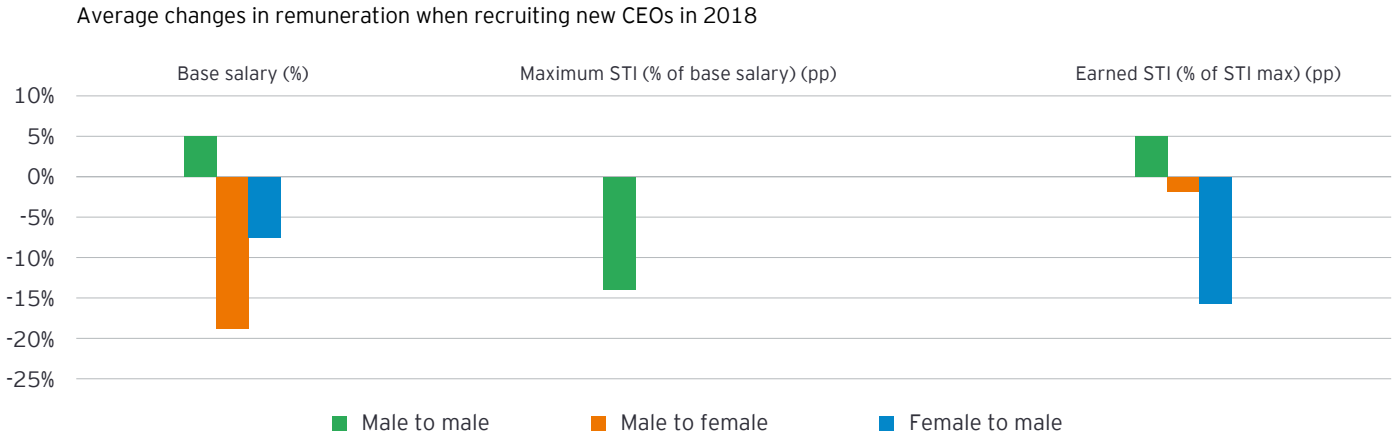
Can we see changes in compensation structure when there is a change of CEO?

By the end of 2018, 11 of the large-cap CEOs were women. During 2018, we saw 15 changes of CEOs:

- Nine from a male CEO to another male CEO
- Five from a male CEO to a female CEO
- One from a female CEO to a male CEO

This results in a net increase of four women.





The graph above shows that, among these 15, male to male CEO changes led to, on average:

- 5% base salary increase
- 15% decrease in maximum STI
- 4% increase in earned STI

Male-to-female CEO changes led to, on average:

- 19% base salary decrease
- No change in maximum STI
- 2% decrease in earned STI

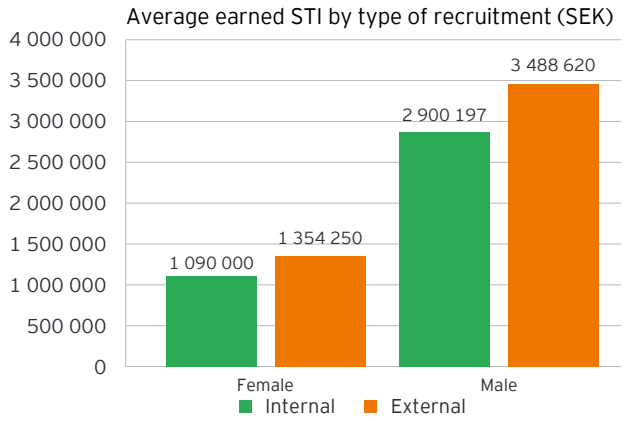
Female-to-male CEO changes led to, on average:

- 8% base salary decrease
- No change in maximum STI
- 15% decrease in earned STI

Our conclusion is that there is no systematic change based on gender when there is a change of CEO.

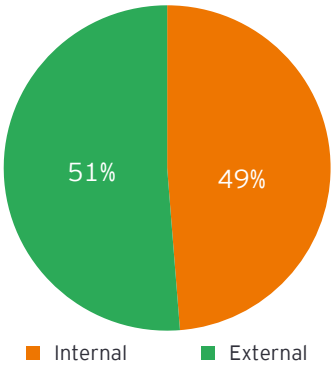
Is it relevant if a CEO is recruited internally or externally?

One hypothesis is that salary development is influenced by whether a person is recruited externally or internally; someone with a long internal career may fall behind someone who is recruited from outside the organization, compensation-wise.

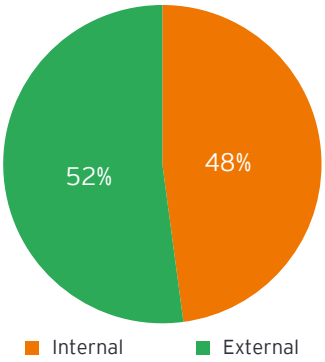


The analysis shows that half of all CEOs were recruited externally, and half were recruited internally. Therefore, the differences between male and female CEOs are not enough to explain the discrepancies.

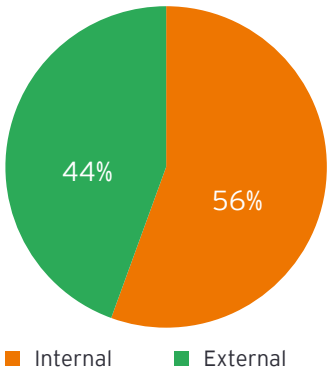
Internal or external recruitment of all CEOs



Recruitment of male CEOs



Recruitment of female CEOs



Do male and female CEOs have different levels of experience?

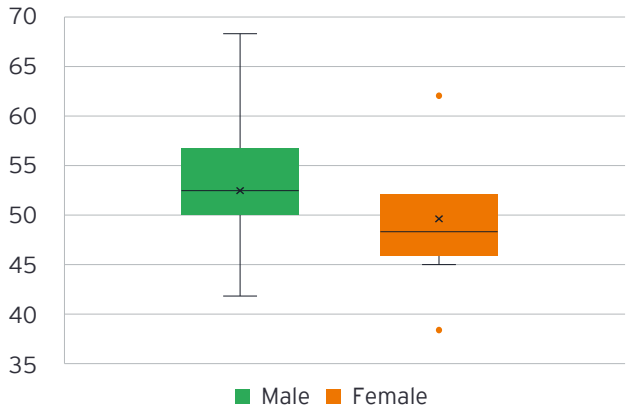
Based on the assumption that the availability of female CEOs is lower than for male CEOs, one hypothesis is that companies tend to choose female CEOs who are more junior than male CEOs. As it is widely accepted that a more junior person should get a lower salary, this would then explain a lower base salary and possibly a lower maximum STI as percentage of base salary.

However, this would not explain a lower earned STI compared with the maximum, since we can assume that targets are set annually. No one would expect a lower performance compared with set annual targets of a less experienced person.

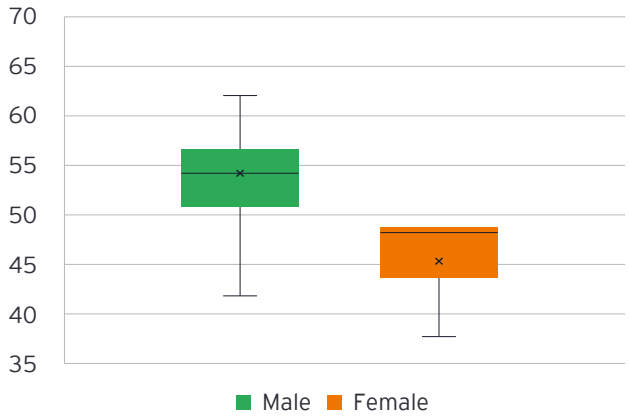
Age can be used as an indicator for experience, since it is more likely that a younger person has less experience than an older person; one must be cautious though, since the correlation isn't perfect. Accumulating knowledge is not only a matter of years lived; it is also affected by factors such as learning agility and how quickly a person has been trained for more complex tasks, as well as how well they understand a certain industry.

The age of female CEOs ranges from 38 to 62, whereas for male CEOs it ranges from 42 to 67. The spread diagram shows that female CEOs tend to be younger than male CEOs.

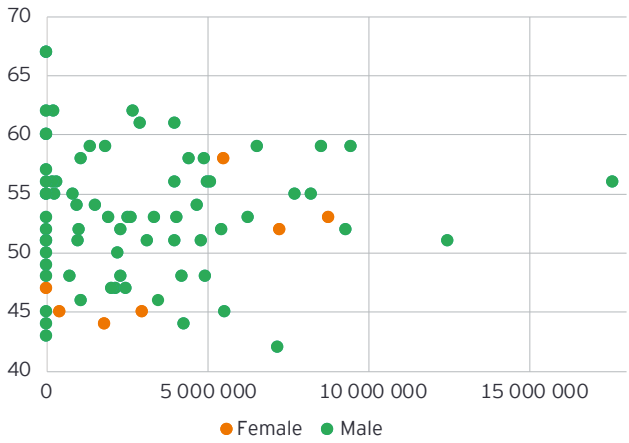
Spread of age, all large caps



Spread of age, small large caps



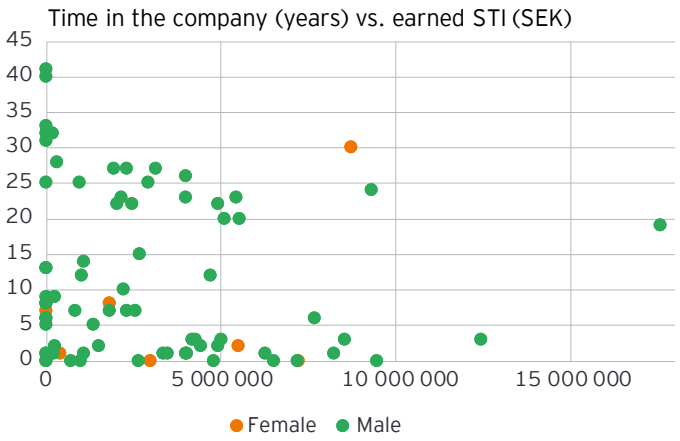
Age vs. earned STI (SEK)

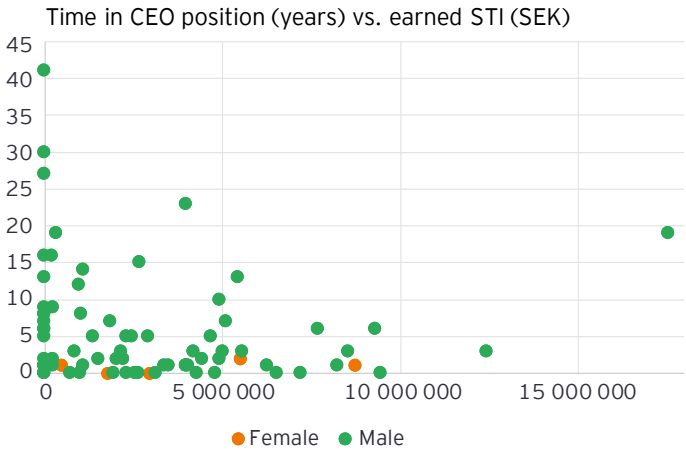


Age in relation to earned STI shows that women are predominantly in the bottom left corner, indicating that they are younger and earn less STI. Three men are of equal age or younger but have higher earned STI than the nine women.

Would tenure with the company and tenure in the CEO position affect earned STI?

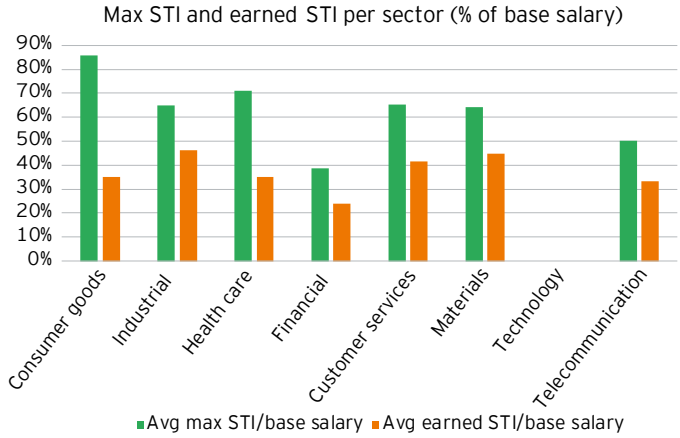
The tenure in a CEO position may be an explanation for the discrepancies; most female CEOs have rather few years as CEO in the company. However, from the graph below, we cannot see any direct link to earned STI. Regardless, it would not explain why female CEOs receive a lower STI compared with their possible max, relative to their male peers.

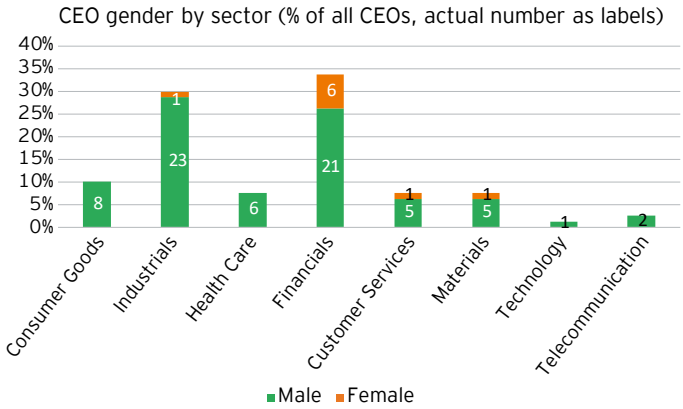




Are the differences industry-specific?

Dividing the large caps according to the Nasdaq Stockholm sector categorization, the average earned varies, but it is hard to see any specific industry with a lower or higher STI for CEO. Nor does it reveal a pattern of industries where female CEOs are more prevalent.

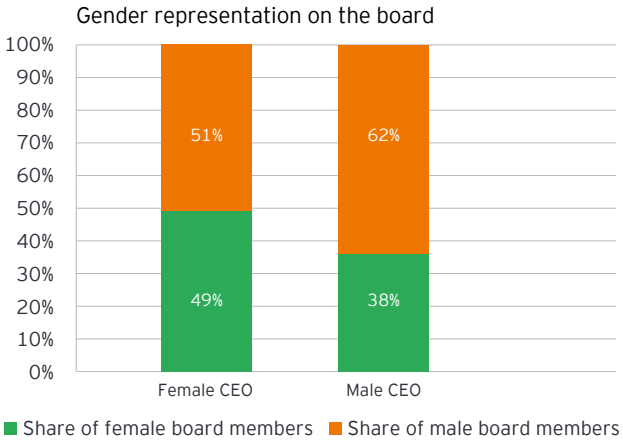




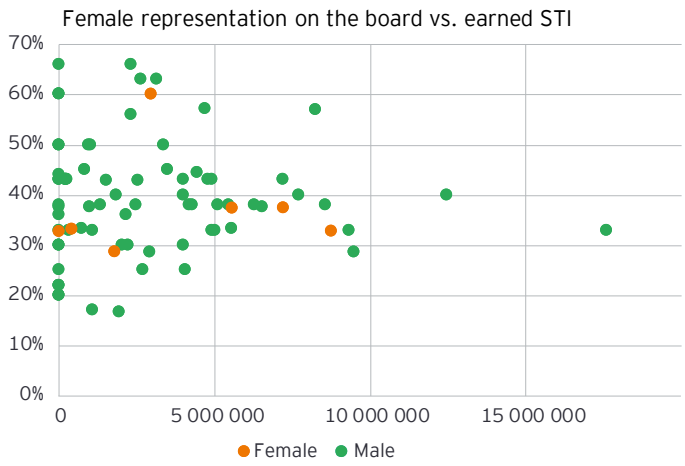
Are there differences between companies with a more gender-equal board representation?

Recruitment and remuneration of CEOs are tasks for the board. Would a board with higher gender equality mean that gender equality is more likely to be on the agenda when recruiting and remunerating a CEO?

First, it can be noted that female-led companies have a higher female representation on their boards. This is an indicator that if boards have more women, there is a greater likelihood of a female CEO.



Can we link the difference in earned STI with the level female representation on the board? The below diagram cannot give a clear-cut answer to that question.



Does gender bias explain the differences?

While we objectively analyze options and complete due diligence on our decisions and processes in the recruitment process, the fact that only 11% of the large caps in Sweden have female CEOs suggests otherwise.

When analyzing bonus payouts, one could believe that subjectivity may influence decision-making for remuneration. We therefore turned to theories regarding gender bias to find possible explanations for the pay gaps.

Gender as a factor in business

The research field "critical management studies" views humans as subjects, where decision-making is based on everybody's individual view of the world. This contrasts with much of traditional research and popular science, where objectivity is assumed possible.

Critical management research regards gender as a factor in business, because it is integral to us as social beings. Gender influences all our social interactions, including those taking place in the workplace. It influences our interpretation of the world and how we relate in daily practices.

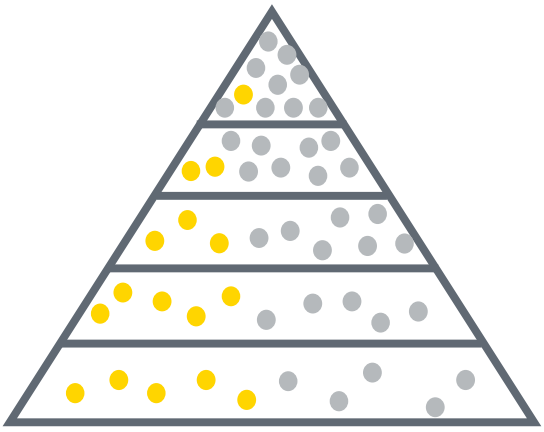
Critical management research shows that actions are performed and perceived through a gender lens, whether we like it or not and, importantly, whether we are conscious of this or not. Critical management research explains how norms evolve and continue to condition our lives without being questioned. It would explain an invisible male norm that guides social interactions in business. And hence the question: could this be an explanatory factor of why male and female CEOs are remunerated differently?

How men can come to be seen as more valuable than women

Workplaces have long since been optimal sites for social and organizational field studies. This is partly due to a large proportion of our time being spent at work, and partly because workplaces often offer opportunities for strong social interaction.

If we acknowledge theories stating that gender plays a part in social interaction and affects our perception of the world, this can explain how mobility and performance in an organization are results of a structural context, rather than individual agency, i.e., individual power of initiative or choice.

The pyramid below represents a private for-profit company. The career logic of this model is that employees strive to reach the top and as they do, they are rewarded with higher pay and benefits, and increase their base of influence and execution of power.



An uncritical mind could take the picture at face value and conclude that the gray dots are most fit to climb the career ladder and be leaders. A critical observer would ask; what circumstances make this model possible? The critical perspective are that an individual's mobility and performance is conditioned by their environment.

The yellow dots represent a minority workforce in the organization and the gray dots represent the majority. The yellow and gray dots have different levels of experience from the same organization simply because of numbers. The yellow dots see that fewer of their kind are present at senior career levels. The yellow dots react to this in a way where one thought leads to another, and where the structure around them supports a negative mental spiral.

As a result, the yellow dots start:

- Questioning their relevance in the organization in general, since the share of the yellow dots decreases with increasing seniority, and particularly for top positions (there is tangible proof of them not being relevant in top-tier management and hence in the boardroom)
- Realizing their relatively low chances of reaching senior levels
- Doubting the organization's support or need for them as yellow dots
- Underestimating their competence
- Lowering their ambitions to avoid potential disappointment further ahead
- Competing with peers because they assume the ratio of yellow to gray dots will not change
- Engaging in noncore activities to make spending time at the organization worthwhile, or finding activities outside the organization

The yellow dots have a different understanding of the organization and their own situation. They see the same pyramid and draw conclusions that cannot empower them mentally on an individual level.

Meanwhile, by looking at the numbers, the gray dots start:

- Feeling empowered by the realization of their relevance in the organization in general
- Feeling empowered by the realization of their relevance for top positions specifically
- Feeling empowered by the statistical support for their chances to reach senior levels
- Feeling empowered by the assumed organizational support and need for gray dots
- Overestimating their competence
- Expecting a career development
- Collaborating with other gray dots since alliances among the gray dots can spur progress
- Making work central to their lives

This model, originally conceptualized by Rosabeth Moss Kanter and later developed further by, for example, Joan Acker, Robin Ely and Debra Meyerson, states that progress, success, slowdown or failure in career is not only dependent on individual agency but is determined and conditioned by the structures in our environment. The need to feel relevant, wanted, seen and appreciated is a strong driver for most human beings. If this is influenced by the structures we see around us, it will do something to our own psychological safety, sense of ease, belonging and confidence. And this, in turn, may affect how we behave, negotiate and advocate for ourselves.

When does a possible higher valuation of men kick in?

If reward is defined as the value attributed to performance, the CEO gender pay statistic above shows that men are valued higher as CEOs than women, regardless of their performance.

Does a skewed performance evaluation kick in at top levels? Or would it start earlier in the pyramid? These are business-relevant questions for leaders. If there are systematic skewed evaluations of performance based on gender, it suggests that there is a business opportunity to start exploring how that arises.

A summary of the theoretical framework

Taking into account critical management research, it is possible to explain the pay gap between male and female CEOs. The overrepresented group (in this case, gray dots – males) are trained and encouraged at every step of the way to take on next-level challenges; while, in comparison, the underrepresented group (in this case, yellow dots – women) are not. Applying this interpretation within the business context, men are expected to perform better as leaders than women, as demonstrated by the numbers, where the proportion of gray dots increases on the way to the top. As a consequence, the reward may become gender-biased as well, in response to a perceived higher performance.

7

Thoughts from the market

How do companies work continuously with D&I in their talent pools? For inspiration, we interviewed people in three large-cap companies on how approach it. They have all chosen different paths.

Electrolux – Mattias Ytterstrand, Head of Digital HR and Total Reward

Mattias Ytterstrand has a solid rewards background, the last eight years as head of total rewards at Electrolux.

Mattias tells us that he sees it as a game winner for Electrolux that inclusion is a part of their culture. For Electrolux, inclusion comes before diversity, in the strong belief that a culture where everyone feels included will naturally drive diversity. The Electrolux CEO is an advocate for inclusion.

> I see a strongly value-driven person in our CEO Jonas Samuelson. He does not like inequalities and fairness is really important to him. His beliefs and behaviors help our work a lot. My work is to help him take these issues further from a rewards perspective.

Electrolux uses analytics to ensure that there are no pay gaps based on gender or other types of discrimination. For example, Mattias annually takes the CEO through an analysis of all executives to two levels below the CEO, where they look at all the parameters that drive the rewards package: performance, market alignment and potential. They consider this by gender and other possible types of discrimination, and Mattias believes it is a good way to make sure that no one falls behind. Applying percentage increases as guidelines for promotion to senior executive positions is not the only solution and they often give higher percentage increases to women than men to ensure fair payment.

Mattias is an advocate for data-driven analysis in combination with gender bias training. He says that D&I must be supported by keeping track of the facts, and he is now implementing a global gender pay gap analysis in Electrolux that he says, "takes the good part from the Swedish gender pay gap legislation."

Electrolux is a global company and only 1,200 employees are based in Sweden, of them comprising more than 60 nationalities. Even so, the roots in Swedish culture are strong, and values such as inclusion, openness and democracy are rooted in the Electrolux culture. Mattias views this as a solid principle that they continue to build on. For example, the "We @ Electrolux" started as an internal female network but now has almost 300 members, men and women. It is a forum for discussion on diversity, inclusion and culture, with Mattias as one of the sponsors. Equality, biases and leadership are on the agenda. The network meets regularly for lunches, invites speakers and facilitates workshops on D&I issues.

But Electrolux has a challenge with respect to gender in some areas: its R&D department is male-dominated, most likely based on misrepresentation of who is studying science. With a workforce of 25%–30% women, Electrolux is striving to have at least the same representation all the way to the top. Traditionally, an R&D background has been important for making an Electrolux career, although Mattias sees that this is starting to change. Yet there are only two women in their executive leadership team of 11.

Mattias thinks the results of EY's analysis of gender pay gaps for large-cap CEOs, and lower bonus payout for women than men, are deeply concerning. He says that the only rationale for a lower bonus payout should be if company performance was worse, but there is absolutely no research that female-led companies are less successful than those led by men – rather the opposite.

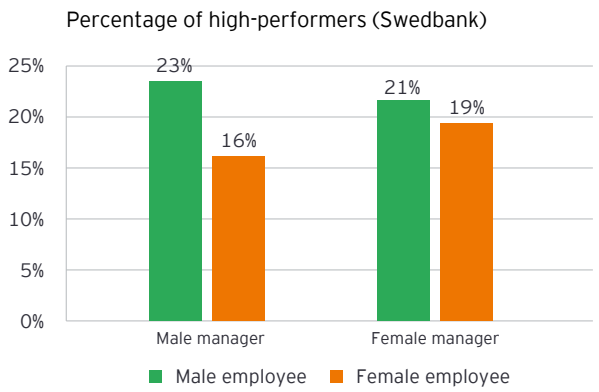
> I sometimes see that men negotiate their compensation packages more aggressively than women. Instead of scrutinizing their arguments to ensure fairness, leaders may give in to avoid a difficult situation. Women tend to not take that fight as frequently and maybe leave for a better – job somewhere else instead. We need to be able to predict this and ask ourselves who we are we spending our time on.

Mattias Ytterstrand

Swedbank – Urban Björn, Group Head of D&I

Urban Björn has worked as D&I driver at Swedbank since 2015, first in his role as a regional Head of HR and, from 2018, as Group Head of D&I. He tells us that it was a former male CEO that put diversity on the agenda, and since then, Swedbank has consciously worked to increase the number of female leaders. Swedbank was the only one of the larger large caps in our survey that had a female CEO by the end of 2018.

A starting point of the D&I work was that Swedbank carried out an in-depth analysis of how employees were rated after the annual performance development talks, based on whether the manager and the employee were male or female. Swedbank's results showed that male managers consistently rated male employees higher than their female employees. Female managers also rated male employees higher than their female employees but to a lesser extent. In conclusion, the best chance of getting a high rating was by being a male employee and rated by a male manager.



Urban says that this led to discussion: it was too obvious that there was a bias in how employees were rated. He believes this bias can explain the difference in EY's analysis of CEO STI, where female performance is rated lower than male performance and hence women get a lower bonus payout. The evaluation of performance could be a matter of interpretation, rather than pure analytics.

Since Swedbank has actively started to work on greater representation of women at top levels, it has taken taken many active measures. Continuous training of management teams is one. Another has been to ensure that, for all recruitments from level 1 (starting at CEO level) down to level 4, there is always a man and a woman among the final candidates.

> I really think it is a matter of awareness. There are very few people that want an unequal work environment. But it is obvious that we regard men and women differently in how we view performance, how we talk, how we expect things to be. I believe that guides our behavior more than we want. By reflecting consciously on our practices, we increase our awareness and can act on our shortcomings.

An example that Urban tells us about is how a job is described in a job ad. In business areas that have a surplus of men, job ads can often express traditional male values that deter women from applying for these jobs, and vice versa. It can also be seen in jokes, which can often be gender stereotypical. He tells us that the #metoo debate in 2017 was an eye opener to many and that it has in fact become a little easier to drive changes around these questions since then.

Urban's view is that pay inequality at the top starts further down the company pyramid. That means that salary setting is about pinpointing the marginalized gender throughout the whole career track. Salary increases are often expressed as percentage increases, and if a person comes in on a low salary, they tend to stay low, says Urban. He thinks that salary discussions are also related to the performance ratings; a mature leader who is good at giving continuous and unbiased feedback is most likely to have a salary discussion that is fairer and less biased.

> It all goes together, and I must admit that it feels like it is a never-ending job. It is so easy to fall back into old behavior, for example in times of crisis. We constantly need to remind ourselves of the working world that we want to have and how to get there.

He tells us that Swedbank in Sweden overall now has only a marginal pay gap between men and women. The company has worked actively to remove the pay gap, and with a workforce that consists of 63% women, it would be a shame it was were not generally good, says Urban. But he admits that they haven't done an analysis of what salary development looks like for their top talents. Can they see a pattern of women falling behind in salary on the way to the top? That is a question that is yet to be addressed.

Urban Björn

Telia company – Josefine Boqvist, Head of BI and Analytics IT

Josefine Boqvist is Head of BI and Analytics IT at Telia, a role she took on in autumn 2019 after work at Ericsson and Accenture. Her view on salary setting and gender comes from being a woman with a fast career progression.

Josefine tells us that it took some time for her to see gender structures. At the beginning of her career, she felt that she had the same opportunities to progress as the men in her network. But when she was promoted to a position where she started to have power, that is when she also started to realize that she wasn't treated the same way as the men around her.

> In the beginning of my career, it was almost like I was a mascot, a token that the talent pools were gender diverse. Then I was offered a position that meant that I was supposed to drive major changes and I had to interact with senior leaders with a different agenda. I was acting exactly like the men around me, and yet, I was the one that was regarded as aggressive and was told to think about how I behaved. It truly took me by surprise, but when I started to talk with other women, I saw that this is often female experience on the way to the top.

Her view is that it has to do with a male coding of how we are supposed to act in business. And when women are acting that way, they are judged differently. She also believes that the reactions are often not seen by = men or women; we tend to be unaware of how gender stereotypes affect us. She considers this to be one of the reasons why women fall behind in salary development.

> As a female leader, you need to be liked or you will never be able to accomplish things. We are supposed to be mild, not causing too many arguments. As if we are linked to a communal role where we are believed to help others. It can become problematic when we step forward and talk about ourselves and our salary demands. It is regarded differently if a man does it, not only by men, but also by women. You cannot deviate too much from the norms if you are going to succeed. It is about an expected behavior, and that can be very difficult in salary discussions. Maybe that is why you take the 'good enough' option, since it will not be to your advantage to push the negotiations even further.

She tells us how she has learnt to scrutinize her own stereotypical thinking in this. At one point in her career, she got to build her own leadership team. One female candidate really put time into negotiating her salary and Josefine found herself questioning if this woman had the right drive for the job. She was given a great opportunity by Josefine, but why was she still negotiating? Josefine got a wake-up moment where she realized that she was having stereotypical opinions about the woman and not the male candidates that negotiated just as much.

She describes another experience in her career where she was promoted to a much larger role. After some benchmarking, she discovered that she basically had been offered the same percentage increase as most other candidates, but since it was a leap in her career, it meant that she was falling behind her new peers. Josefine went to HR and her new manager and said: I want the same as the others on my level, take it or leave it.

> It took me some courage to do that. But I was sure of one thing: they were not going to be able to find anyone who would take that job at what I had been offered.

She got what she asked for. And this leads to one piece of advice to her peers: be fact-based in your argument. Benchmark with both men and women in your personal networks. Discuss salary increases for promotions with friends that you trust. That will help you to forward your argument as a woman, according to Josefine.

She also believes that companies need to train leaders in gender awareness. Josefine sees that most men and women want to have a fair and equal workplace. She has been in situations where she has discussed her experiences with male peers and they have been completely unaware of how their actions have been interpreted.

Josefine Boqvist

“

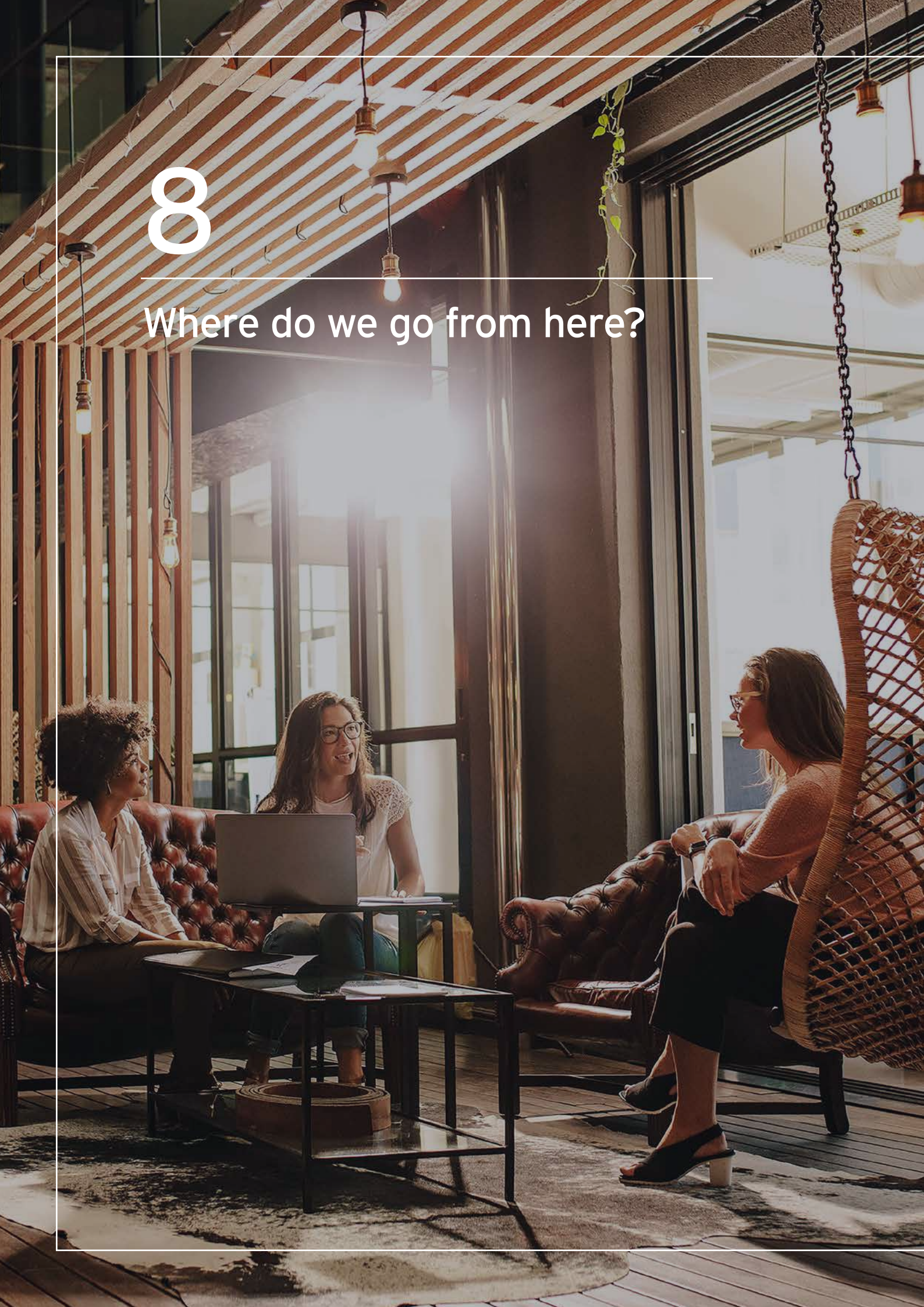
It is like they don’t see their privilege. But when you show them, there is willingness to understand and to learn.

It will get better with more women in leadership positions, but it is not enough, according to Josefine. She says that we all have a responsibility to create a business environment where structures are not predominantly coded by male norms. Since we are all products of the societal and cultural structures we live in – from kindergarten upward, social norms steer us on a daily basis to relate and handle life in the way the “coding” lets us. Companies must start somewhere, and it is about using gender research and numbers. Josefine mentions a test where people are asked to judge the same performance based on a story where someone is given a male name, and another is given a female name. And everyone rates the male performance higher.

“

I’ll give you another example: I’ve often heard that I’ve been given so much help in my career, since I came into leadership positions as a young woman. I’m quite good at building my network and anchoring my decisions, since I have learned what it takes for me as a woman to succeed. But then it is like my own performance isn’t valued, then it is other people that have helped me. For men around me, I seldom hear that they should be thankful because they get so much help. They are just seen as capable of making great decisions.

Is gender a factor for remuneration at CEO level?



8

Where do we go from here?

In Sweden, more than 90% of the companies listed on the Nasdaq OMX Stockholm Large Cap list state in their annual reports or websites that they are actively working with D&I. It is sometimes said that "Diversity" is about counting the numbers and "inclusion" is making the numbers count. If diversity is low in the largest companies in Sweden, both when it comes to the number of female CEOs and how they are remunerated, what does that mean for inclusion?

EY has put together a few questions for a meaningful discussion around D&I for leadership. We are happy to discuss how we can continue this conversation with you.

Knowing your numbers

- How does your organization handle diversity targets? Do you know how far away you are from them, and what actions are in place to address the gap and reach the targets?
- How do you make sure that women and men don't have different salary progression?
- When you appoint female executives, do you check their remuneration relative to their male peers?:
- How aware are the people that evaluate the performance of your executive leadership team of how gender patterns and structures impact their decision?
- How many men and women do you have two levels below CEO?
- Are your talent pools equally populated by women and men?
- What is the ratio of exits from your talent pools by men and women? At what levels do the exits take place?
- How important is remuneration in the decision by men and women to stay or leave?

Living the D&I agenda

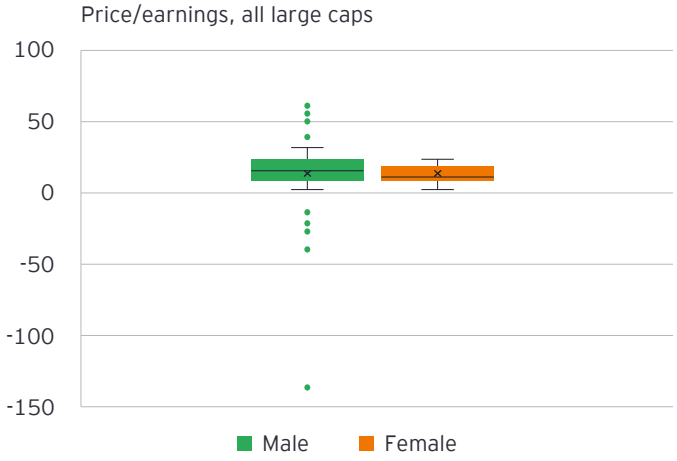
- If you prioritize your HR agenda today, where does D&I sit? Top 3, top 5 or top 10?
- How do you work towards an ideal view of your talent pools when it comes to D&I?
- How do you work to create awareness of D&I? At what levels to do you actively do this?
- How does the executive leadership team act as a role model for a diverse and inclusive organization?
- What measures do you have to make sure take to ensure that the recruitment process for executives is free from gender bias?
- How do you integrate D&I into your leadership development training?
- When you recruit your next CEO, how do you want the board to take D&I into account?
- What is it that makes men in your organization succeed? What is it that makes women in your organization succeed? What answers would you get if you asked the men and women who have succeeded or left the company?

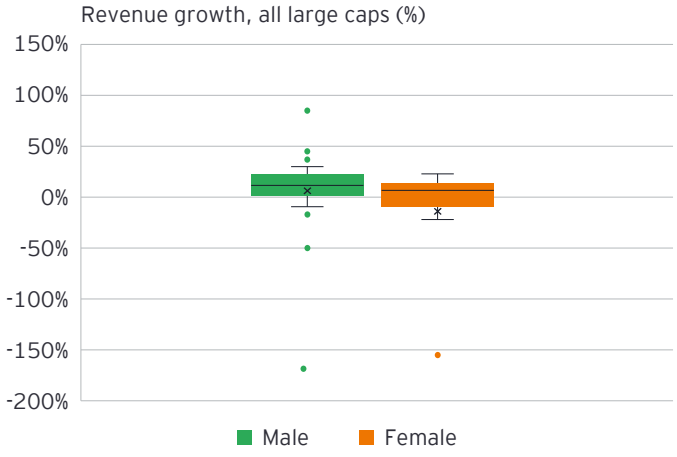
Is gender a factor for remuneration at CEO level?

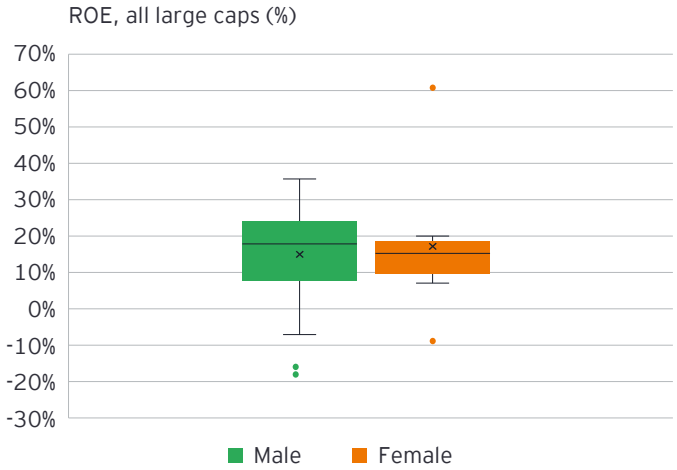
9

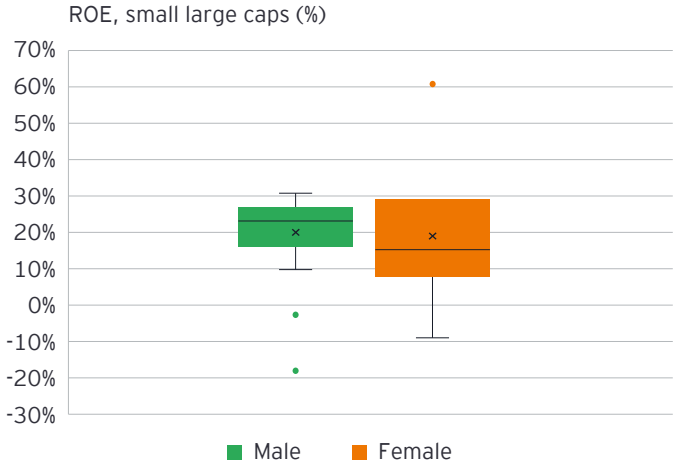
Appendix 1

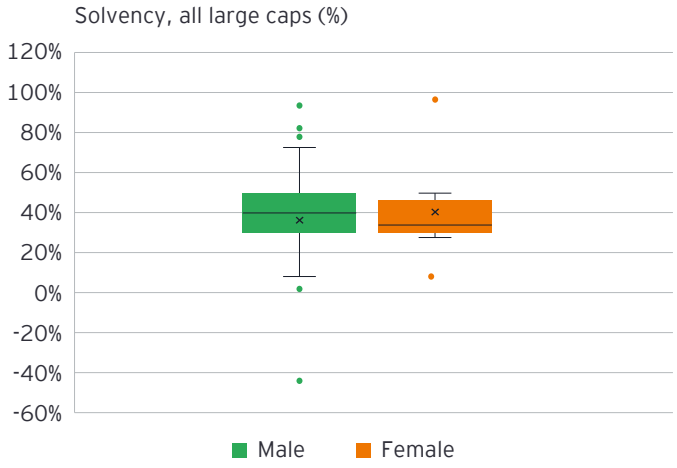
The graphs below show for company performance based on data from fact sheets issued by Morningstar through Avanza. Some of the outliers are for holding companies where the measures are not representative.

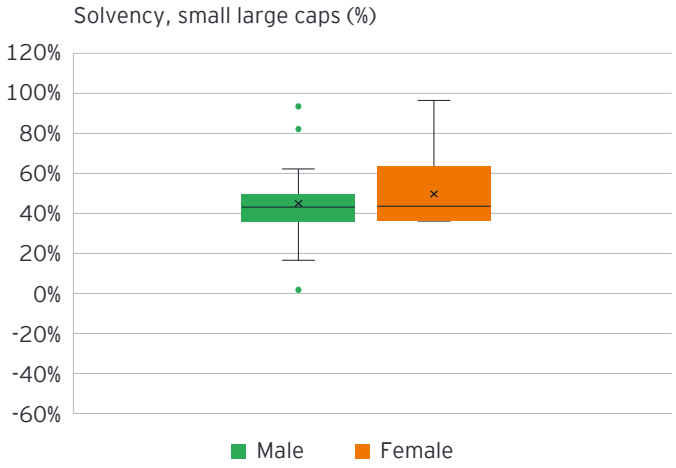


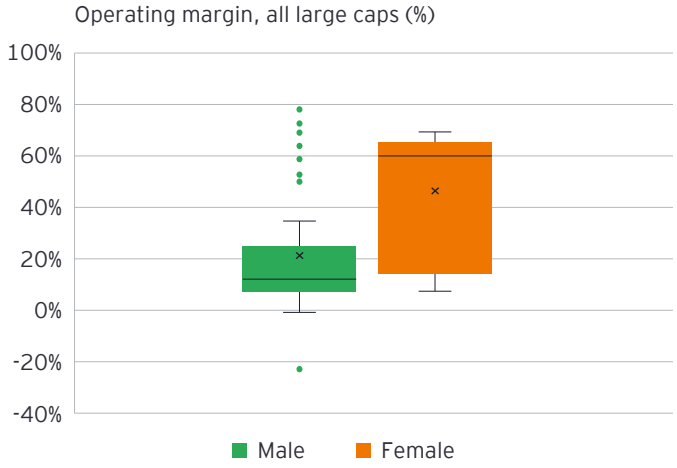


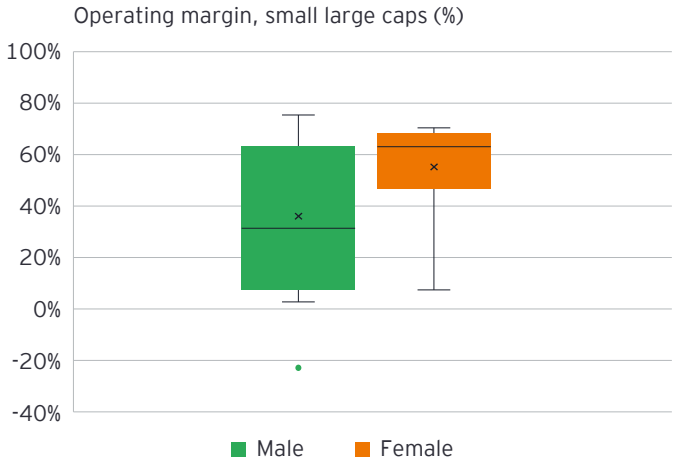




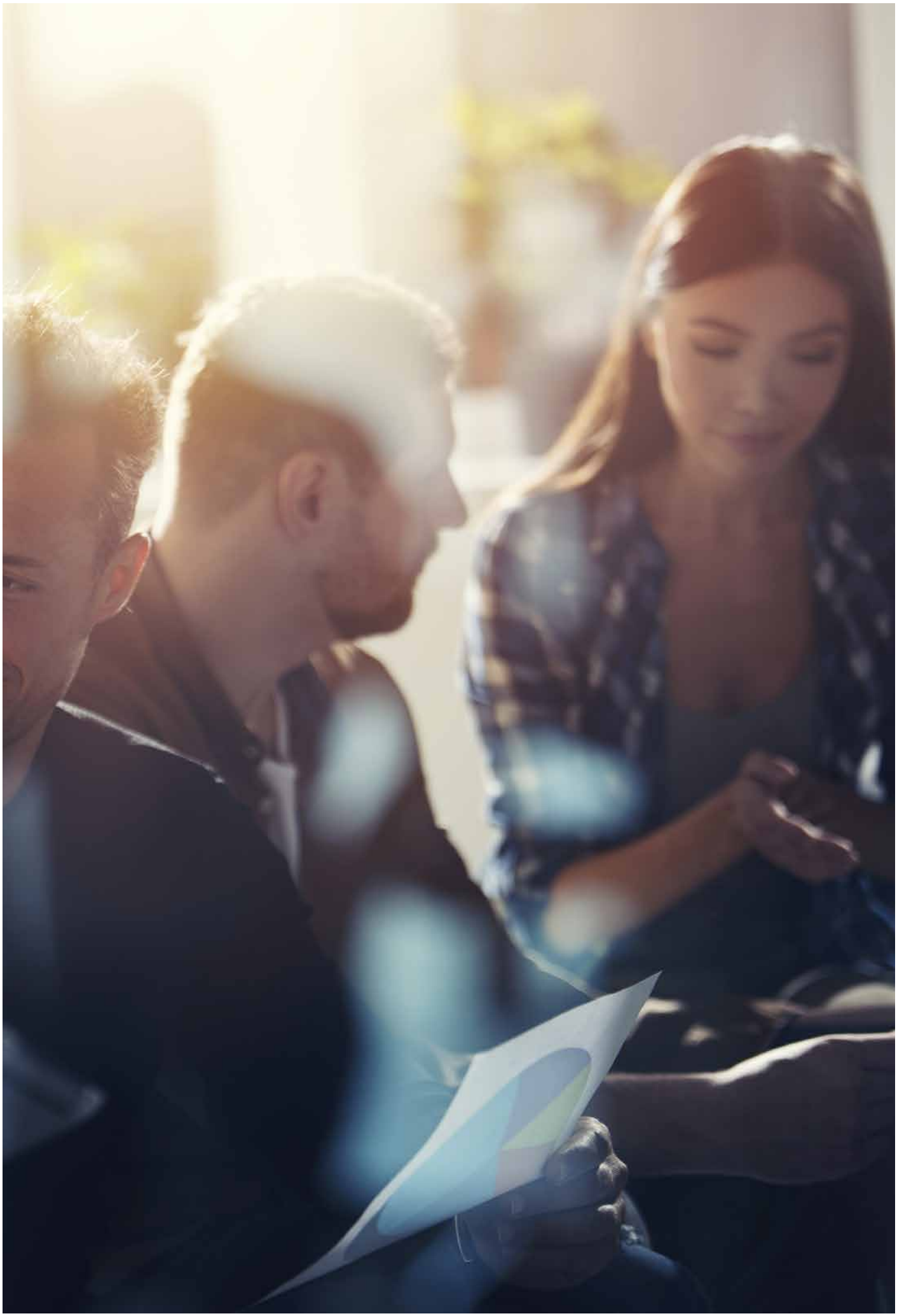








Is gender a factor for remuneration at CEO level?



Notes

Thank you

EY | Assurance | Tax | Transactions | Advisory

About EY
EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. For more information about our organization, please visit ey.com.

EYG no. 001016-20Gbl
ED None

ey.com

The views of the third parties set out in this publication are not necessarily the views of the global EY organization or its member firms. Moreover, they should be seen in the context of the time they were made.

B2000Sse