

Dear policy team at ISS,

Regarding your Request for Comments on the Proposed Benchmark Policy Changes for 2025, NBIM would like to make the following comments to the questions on U.S. Executive Compensation on page 18. Our comments are focussing on incentives for CEOs.

If, in the future, U.S benchmark policy were to no longer view a predominance of time-vesting equity awards as concerning in itself, what criteria would you consider most important for analyzing time-vesting equity awards? (for example, vesting periods, award magnitude, holding period requirements, or any other significant factors)

Reply:

Both time-vesting and performance-vesting equity awards should be scrutinized if grants are

- off-cycle or outside the ordinary incentive program without a compelling rationale
- poorly explained
- appear opportunistically timed, priced or designed
- feature as unusually costly from a shareholder perspective
- have a shorter vesting/holding time horizon than common market practice

Factors that could be considered as beneficial and warrant a more favorable treatment, include

- longer-than-usual vesting/holding time horizon, e.g. in terms of weighted time horizon and length of the longest tranches
- post-employment holding requirements
- designs whereby share lock-ins stay in place following the departure of the CEO
- settling in shares rather than cash
- simplicity
- robustness of model over time and avoidance of frequent shifts to design
- clarity of principles for calibration of grant, such as method used to establish an intended stable quantum or how any backward-looking assessment is being done – this also includes deferral of annual bonus in shares
- demonstrated high degree of retention of vested shares by the CEO, or acquisition of shares out of pocket, and/or other commitment to hold onto shares over time

If U.S. benchmark policy were to no longer view a predominance of regular-cycle time-vesting equity awards as concerning, do you believe the same standard should be applied to any off-cycle/one-time equity awards?

Reply:

Yes. Time-vesting should not be seen as more concerning than performance-vesting in the case of off-cycle/one-time equity awards.

We are of course available to discuss all of the above, or related matters, as you progress towards any amended policy.

Norges Bank Investment Management