

Cevian Capital Requires ESG Targets in Management Compensation Plans

Stockholm, Zürich and London, 03.03.2021 – In today's world, strong ESG principles and performance are fundamental to sustainable and long-term value creation for all stakeholders, including shareholders.

Most companies are making at least some progress in various areas of ESG, thanks in part to their own initiatives and pressure from investors, asset owners and other stakeholders.

However, such progress is commonly piecemeal, uneven, or half-hearted. In many cases, box checking is used to give the perception of progress when real advances are not being made. In other cases, laudable statements are made about long-term intentions, such as on carbon emissions, but are not supported by tangible shorter-term measures.

In order to accelerate and secure meaningful ESG progress, there must be strengthened alignment between the desired outcomes and the companies and individuals we expect to produce them.

Significant, measurable and transparent ESG targets should form part of senior management compensation plans for all European public companies.

Therefore, Cevian Capital is today calling upon European public companies to start, or accelerate, the development of such ESG targets for integration into compensation plans to be put to shareholder vote at AGMs in 2022.

Lars Förberg, Cevian Capital Managing Partner and co-founder said:

“Improving the ESG performance of companies is not only the right thing to do for society, it is the right thing to do to create sustainable value for shareholders and other stakeholders. There is no conflict between “values” and “value” – in fact in today's world, they are fully symbiotic.”

Christer Gardell, Cevian Capital Managing Partner and co-founder said:

“Asset owners, investors, management teams and board directors all look to management incentive plans to drive and direct performance - And yet today, only a tiny share of companies meaningfully incorporate ESG targets into their incentive plans. That makes no sense. To get away from ESG box checking and ensure that ESG considerations are truly embedded in corporate strategies, we need to incentivise management teams to embrace them.”

Cevian is raising this now, as most companies approach 2021 shareholder meetings, to give companies clear and reasonable notice of our expectations: Companies should use the coming quarters to consider and develop their own proposals. They should consult with



shareholders on tangible proposals for incorporating ESG into incentive plans in time for their AGMs in 2022.

Just as for current non-ESG metrics in executive compensation plans, each company should develop and propose to shareholders ESG targets and incentives that it considers most relevant for its businesses and stakeholders. These should be significant, measurable and transparent, enabling meaningful assessment and engagement by shareholders.

To advance this, Cevian will hold companies and their directors to account through its engagement, and, if necessary, a combination of voting on director elections and compensation plans, as well as advancing shareholder motions on this issue, as appropriate.

Including robust and relevant ESG targets into compensation plans will not only create clear alignment with management teams, but will also ensure that the boards that have to stand behind those plans have studied and fully come to grips with their company's ESG situation in a meaningful and comprehensive way.

Today, only a small minority of companies have a link between ESG and management compensation that is fit for purpose. Some companies have inserted ESG into a long list of items in opaque "individual performance" categories. Others have "ESG targets" that are focused specifically on important but narrow metrics such as employee health and safety. This is insufficient to meaningfully drive companies to capture the opportunities and address the challenges of ESG.

We believe it is in the interests of all stakeholders, including asset owners and other long-term investors, for companies to create this alignment and transparency, and invite others to adopt this stance.

Background

As a hands-on and long-term owner, Cevian creates value by driving improvements at its portfolio companies designed to increase long-term competitiveness and profitability in a sustainable way.

Cevian's conviction is that there is no conflict between "values" and "value" – in fact in today's world, they are fully symbiotic. ESG considerations impact companies' business opportunities, revenues, costs, risks, employee engagement, societal attitudes and corporate valuations. The extent of this impact will increase over time.

Thus, Cevian advances ESG initiatives at its companies for two reasons:

- It is the right thing to do, and fully aligned with our world-view and priorities as a team of individuals; and
- Improving companies' ESG performance and situation is a clear and important source of long-term value creation.

ESG considerations are integrated into Cevian's fundamental analyses to identify investment opportunities, value-creation potential and possible risks.

Cevian advances ESG initiatives to increase the long-term and sustainable value of its companies. ESG is a core part of Cevian's value-creation toolkit (alongside its other value-creation tools, e.g. improvements to operations, corporate strategy, organizational structure and financial management).

ENDS

About Cevian Capital

Cevian Capital acquires significant minority ownership positions in European public companies and uses its expertise to advance long-term and sustainable value creation.

It works in a hands-on and constructive manner to advance improvements at its portfolio companies in operations, corporate strategy, organizational structure, financial management, corporate governance and ESG more broadly. These initiatives are designed to increase their long-term competitiveness, profitability and sustainability, and to create real long-term value that benefits all stakeholders, including shareholders.

Cevian was founded by Lars Förberg and Christer Gardell in 2002 to continue the active ownership investment strategy they initiated and have executed together since 1996.

Cevian's long-term capital base is provided primarily by leading pension funds, endowments, foundations and sovereign wealth funds. Its current investment fund was launched in 2006 and is an evergreen vehicle.

Cevian Capital is advised by Cevian Capital AB (Stockholm), Cevian Capital AG (Zürich) and Cevian Capital LLP (London).