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Remuneration report
Best practices

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1. Introduction

Listed companies are required to disclose the remuneration of their management board and supervisory Board already for a few years. As the level of detail of these disclosures varied across companies, requirements to align the required presented information were published by the European Union in the EU Directive (2017/828/EU) about shareholder engagement. The EU Directive is accompanied by non-binding guidelines drafted by the European Commission (EC) to help companies in meeting the requirements of the Directive[1].

Subsequently, in November 2019 the Netherlands Civil Code (NCC) has been adjusted in order to implement this Directive, mainly by adding a subsection (art. 2:135a-b) in Book 2 of the Netherlands Civil Code. As a result, listed entities as from financial year 2019 have to prepare a separate compensation statement, in addition to the board of directors' report and the supervisory board report. This compensation statement does not replace but can be combined with the remuneration report that is required by the Corporate Governance Code (CGC). The external auditor has to audit whether the compensation statement includes the required information.

[1] Communication from the Commission: Guidelines on the standardised presentation of the remuneration report under Directive 2007/36/EC, as amended by Directive (EU) 2017/828 as regards the encouragement of long-term shareholder engagement.

2. Objective of this brochure and population examined

Based on contacts with clients and relations, we noticed a need for useful examples (good practices) on how to apply the several new elements of the compensation statement as required by art 135b NCC. The aim of this brochure is provide these good practices based on an examination of the financial statements over 2019 of the 25 companies included in the AEX-index of the Euronext Amsterdam exchange. Before the good practices will be presented, the next paragraph contains some guidance on the disclosure requirements of directors' remuneration in general.

3. Three sources relevant for remuneration disclosures

A complicating factor in presenting the required information on the remuneration of the directors of a Dutch listed entity is that there are several sources of requirements relevant. These are:

1. IAS 24 Related Party Disclosures (especially, paragraph 17);
2. Chapter 3 of the Corporate Governance Code (CGC) (2016);
3. Art. 2:135a-b of the Netherlands Civil Code (NCC) (2019).

Ad 1) IAS 24

IAS 24.17 states that key management personnel compensation should be disclosed in total and for each of the following categories:

- Short-term employee benefits;
- Post-employment benefits;
- Other long-term benefits;
- Termination benefits;
- Share-based payment benefits (on cost accounting basis).

Key management is defined as those persons having authority and responsibility for planning, directing and controlling the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity (IAS 24.9). The scope of key management can therefore be broader than the management board and supervisory board of the reporting entity.

Ad 2) Chapter 3 of the Corporate Governance Code (CGC) (2016)

In chapter 3 (Remuneration) of the CGC 2016 the following principles has been stated:

Principle 3.1: Remuneration policy – management board;
Principle 3.2: Determination of management board remuneration;
Principle 3.3: Remuneration – supervisory board;
Principle 3.4: Accountability for implementation of remuneration policy.

As part of principle 3.4 the CGC in the so-called best practice provision (bpp) 3.4.1 pays special attention to the remuneration report.

Ad 3) Art. 2:135a-b of the Netherlands Civil Code (NCC) (2019)

As mentioned in the introduction, this legislation is the newest of the three sources. Art. 2:135a NCC pays attention on the remuneration policy and art. 2:135b addresses the disclosure elements of remuneration report. In this brochure, we will focus on the disclosure requirements of the remuneration report.

Entities that are required to prepare a compensation statement and also prepare a remuneration report can combine this information in one document (DAS 404.102). The DASB recommends to disclose this choice. There is no recommendation about combination with the disclosure requirements of IAS 24. In the next paragraph, we will present results how the three sources have been combined by the listed entities in our population.

In the Appendix we have included the relevant stipulations of NCC Book 2 (art. 2:135b-3) and of the CGC (bpp 3.4.1).

4. General findings

As this was the first year of implementation, we see a large diversity within structure, length and content of the reports. Regarding the length, the reports vary between 6 and 37 pages, with an average of 14 pages.

Only 1 company discloses its remuneration report separately from the annual report on its website. In all other (24) cases the remuneration report is part of the annual report. From these companies, the remuneration report is in 10 cases part of the supervisory board report or director's report and in 14 cases it is a separated from these reports and presented as a chapter within the annual report.
In almost all cases there is a separate document available on the website about the remuneration policy. In about half of the cases the entire remuneration report is as a separate document (also) available on the website. So, next to the integration in the annual report.

23 out of the 25 companies provide information about the voting percentage in favor of the remuneration report.
The voting percentage in favor of the remuneration report varies from 53.03% up to 98.27% with an average of 90.10%. Only in 2 of the 23 available cases the voting percentage in favor of the remuneration report is below 75.00%.

If there are share-based payment arrangements, IAS 24 requires that this element of the remuneration should be measured according to IFRS 2 (following the measurement of the expense based on IFRS). In practice, also a fiscal cash accounting method is applied. This means generally that the benefit is measured upon settlement of the share-based payment, either in cash (if cash settled) or based on the share price (intrinsic value in case of an option) at the earliest date the shares can be converted into cash. Neither the Netherlands Corporate Governance Code (CGC) nor article 2:135b NCC requires a specific method for measuring share-based payments. In 23 of the 25 reports, share-based payment benefits are part of the remuneration package. Of these 23 cases, 13 companies use expense accounting, 8 companies use cash accounting and in 2 cases a combination of expense and cash accounting has been used.

In addition, another difference between IAS 24 and art. 2:135b NCC is that IAS 24.17 requires that key management personnel compensation should be disclosed in total and for each of five earlier mentioned categories. Art. 2:135b-3 NCC states that the remuneration report should be disclosed for the individual board members. In practice, the vast majority of the companies (20 of the 25) have disclosed the very specific IAS 24 requirements only in their financial statements, 4 of them in both the financial statements and the remuneration report and 1 of them only in the remuneration report.

Another item is how the six subsections of bpp 3.4.1 CGC whether or not have been combined with art. 2:135a-b NCC.
In the next section we present at first good practices of the subsections of art. 2:135b-3 NCC and subsequently we present good practices of the subsections of bpp 3.4.1 CGC or in the case of combining with 2:135b NCC a reference.

5. Best practices – main areas of focus

In this section, we present in ***paragraphs 5.1 through 5.12*** examples of good practices as per subsection of ***art. 2:135b-3 NCC*** . In addition, ***paragraphs 5.13 through 5.18*** show good practices of ***bpp 3.4.1 CGC.*** If the requirements of the CGC overlap with the NCC, no separate best practice is presented but a reference is made to the art.135b-3 NCC good practice presented.

5.1 – 5.12 Art. 2:135b-3 NCC

5.1 Total compensation split out by component (art. 2:135b-3a NCC)

The remuneration report shall contain each individual director's total compensation disaggregated into components (art. 2:135b-3a NCC). A good example of this disaggregation can be found in the remuneration report of Philips. The example shows 7 components measured (as clearly mentioned in the table) at a cost (expense) in the year basis, while the footnotes provide further explanation.

Philips Group
Remuneration Board of Management [1]
2019

		Costs in the year							
	Annual base comensation [2]	Base compensation	Realized annual incentive	Performance annual incentive [3]	Restricted share rights	Pension allowances [4]	Pension scheme costs	Pension compensation [5]	Total cost
F.A. van Houten	1.325,000	1,295,000	1,091,800	2,235,166	-	559,052	26,380	52,713	5,260,111
A. Bhattacharya	785,000	770,000	517,472	995,483	-	230,006	26,380	63,265	2,602,606
M.J. van Ginneken	575,000	571,250	335,685	713,815	-	171,018	26,380	38,278	1,856,426
		2,636,250	**1,944,957**	**3,944,464**	**-**	**960,076**	**79,140**	**154,256**	**9,719,143**

[1] Reference date for board membership is December 31, 2019.

[2] Annual base compensation as of April 1, 2019.

[3] Costs of performance shares are based on accounting standards (IFRS) and do not reflect the value of stock options at the end of the lock up period and the value of performance shares and restricted share rights at the vesting/release date.

[4] The pension Transition Allowances were maintained at the current level for Messrs van Houten and Bhattacharya for the term of their service agreements. The total pension cost of the Company related to the pension arrangement (including the aforementioned Transition Allowance) is at a comparable level over a period of time to the pension costs under the former Executive Pension Plan.

[5] The stated amounts mainly concern (share of) allowance to members of the board of Management that can be considered as remuneration in a situation where such a share of an allowance can be considered as (indirect) remuneration (for example, private use of the company car), then the share is both valued and accounted for here. The method employed by the fiscal authorities is the starting point for the value stated.

Philips annual report 2019, page 72.

5.2 Relative proportion of fixed and variable compensation (art. 2:135b-3b NCC)

The remuneration report shall contain the relative proportion of fixed and variable compensation (art. 2:135b-3b NCC). A good practice of this disclosure can be found in the remuneration report of Randstad. The format of the table makes it have quick insight in this proportion and its change compared to last year.

Proportion of fixed and variable renumeration[1]
Excluding social charges

	% of fixed renumeration		% of variable renumeration	
x € 1,000	2019	2018	2019	2018
J.W. van den Broek	37	68	63	32
H.R. Schirmer	57	78	43	22
R.J. van de Kraats	0	65	100	35
F. Béharel	38	68	62	32
K. Fichuk	64	-	36	0
L. Galipeau	100	69	0	31
R. Henderson	49	-	51	-
C. Heutink	38	68	62	32
Total	**45**	**69**	**55**	**31**

[1] Excluding social charges and taxes

Randstad annual report 2019, page 122.

5.3 Total compensation split out by component (art. 135b-3a NCC) combined with relative proportion of fixed and variable compensation (art. 135-3b NCC)

The remuneration report shall contain each individual directors' total compensation split out by component (art. 2:135b-3a NCC) and the relative proportion of fixed and variable remuneration (art. 2:135b-3b NCC). The reason why we have combined these two areas over here is that it can be helpful to the readers of remuneration report to present these two areas in one table. The best example for this can be found in the remuneration report 2019 of IMCD below.

	Fixed renumeration				Variable renumeration			
(amounts x EUR 1,000)	Year	Salary	Pension	Other	STI Bonus	Share based payment 1	Total	Proportion of fixed and variable renumeration 2
Piet van der Slikke, CEO	2019	643	44	48	310	648	1,693	43%/57%
	2018	580	40	47	480	355	1,502	44%/56%
Hans Kooijmans, CFO	2019	501	39	42	242	492	1,316	44%/56%
	2018	440	36	42	363	265	1,146	45%/55%
Total	**2019**	**1,144**	**83**	**90**	**552**	**1,140**	**3,009**	**44%/56%**
	2018	1,020	76	89	843	620	2,648	45%/55%

1 The amounts presented in this table are included in note 51 of the financial statements to the annual report 2019.

2 The relative proportion of fixed/variable Remuneration is calculated by dividing the sum of the fixed/variable components by the amount of total Remuneration, multiplied with 100.

IMCD remuneration report 2019, page 5.

5.4 How total compensation complies with adopted remuneration policy, including how it contributes to long-term performance of company (art. 2:135b-3c NCC)

The remuneration report shall contain information how the total compensation complies with the adopted remuneration policy, including how it contributes to the long-term performance of the company (art. 2:135b-3c NCC). A good example of this disclosure area can be found in the remuneration report of DSM. The company discloses a clear link between the specific remuneration policy and its contribution to the company's strategy and long-term goals and utilizes the format of a table to specifically identify the contribution of each of the elements of the company's variable remuneration to its strategy and value creation.

Purpose	Design and Link to Strategy	Value
Goal The goal of DSM's renumeration policy Managing Board Koninkijke DSM N.V. is to offer an on target total renumeration package approaching the median - from below - of the labor market peer group.		
Total Direct Compensation is the basis for benchmark efforts, i.e., the reference to the labor market peer group.	Includes base salary and variable income. Variable income concerns the performance related Short-Term Incentive (STI) and the STI deferral & matching plan, as well as the Long-Term incentive plan (LTI). In addition, Managing Board members are entitled to certain benefits.	Value of each respective item is included hereafter.
Base salary Basic pay for doing the job.	Aims to provide a fair and competitive bass for the total pay level to attract and retain qualified leaders. Annual review based on the market movement for executions based in the Netherlands and peer companies in depth benchmark every three years.	Base salaries at DSM approach the median - from below - of the labor market peer group.
Short-Term Incentive (STI) Incentive aligning short-term business objectives and business drivers toward strategic company objectives. Driving pay for performance.	The Supervisory Board sets goals and targets for the respective performance year and determines the extend to which they have been achieved. By ensuring that strategic objectives are properly reflected in stretched yet achievable targets, the realization of strategic business objectives is addressed. Half of the at-target STI is linked to financial objectives, the other half is tied to sustainability aspirations and individual goals.	On-target performance 50% of annual base salary. Maximum opportunity capped at 100% Threshold: no STI pay-out in case the target on Adjusted EBITDA is not achieved for at least 75%.
STI deferral & matching Ensures that longer term considerations are sufficiently taken into account in pursuing short-term objectives	Conversion of STI into shares, with a 1:1 company match delivered in Performance Share Unit (PSUs). The PSUs vest upon the realization of predefined goals (same as LTI program), observing a three year vesting period. By linking the vesting PSUs to the targets of the LTI program, It is ensured that decisions regarding short-term results are assigned with long-term value creation.	Mandatory conversion 25% of STI achieved; voluntary conversion; 0-25%, with incremental steps of 5%. Maximum numbr or matching PSUs to vest, equal to number granted.
Long-Term Incentive (LTI) Focus on long-term value creation. Designed to ensure that decisions made are in the long-term interest of all stakeholders and to safeguard that interests of the Managing Board and the company stakeholders are aligned.	PSUs are awarded every year, to be converted into shares upon realization of predefined targts, observing a three year vesting period. A five-year holding period (starting at grant date) applies. Performance goals are based on company strategy, driving long-term value creation. Half of the target LTI is linked to financial goals; the other half is linked to sustainability aspirations. Performance is measured over three financial years, starting with the year of grant.	The at-target grant equals 100% or base salary. Maximum vesting opportunity is 150% of the number of PSUs granted.
Shareholding requirement Aligning reward to interests of stakeolders, and emphasizing confidence inperformance and strategy.	Managing Board members are expected to build up a shareholding in the company, the minimum shareholding requirement must be accrued in four years. Considered are shares privately purchased and vested shares granted under DSM share-based compensation plans.	The minimum share-holding requirement is 300% of annual base salary for the CEO and 200% for other MB-members.
Pension and other benefits Post-retirement renumeration contributing to the competitiveness of the overall package. Together with other benefis, creates alignment with market practice.	Mandatory enrollment in basic pension plan as applicable to all DSM employees in the Netherlands (Collective Defined Contribution). In addition, a company-paid contribution to allow participation in the so-called Net Pension Plan under consitions as applicable to Netherlands-based employees (Individual Defined Contribution). Other benefits include sick pay (aligned with Netherlands-based employees) and a company car.	Pension scheme aligned with plans in place for employees in the Netherlands. Other benefits aligned with market practice.
Goal setting Goal setting is key to driving pay for performance aligned with company strategy and to ensure that decisions made and results delivered are aligned with the interests of DSM's stakeholders.	Supervisory Board sets goals, their respective weight and targets (i.e., metric) for the respective performance year under the STI and LTI scheme, considering; • Company strategy • Focus on long-term value creation • Historical performance, business outlook, and circumstances and priorities • Stakeholder expectation At target level, there is a 50:50 split between financial goals and sustainability/ individual goals.	Goals must be stretching yet achievable.

[1] At face value, the at target LTI grant equals 100% of annual base salary. Applying a discounted fair value approach, the grant value represents approximately 50% of annual base salary.

5.5 How financial and non-financial objectives were applied (art. 2:135b-3d NCC)

The remuneration report shall contain information about how the financial and non-financial objectives are set (targets) and how this is applied by the company or its governing bodies (art. 2:135b-3d NCC). A good example of this disclosure be found in the remuneration part of the annual report 2019 of ING. Please note that this example is not presented in full (*).

2019 performance indicators Executive Board
As indicated in the renumeration policy, the performance of the Executive Board is assessed on non-financial and financial indictors. The performance indicators assessed for 2019 included the following (overview of combined performance indicators of the Executive Board members).

Financial performance indicators

- Underlying result before tax;
- Net core lending;
- Underlying return on equity (IFRS-EU) -> hurdle for variable pay;
- Underlying cost/income ratio;
- Common equity Tier 1 ratio (SREP) -> hurdle for variable pay.

Non-financial performance indicators

- Customer ensuring growth of retail primary customers;
- Operational control ensuring ING is a safe and complaint bank and in the future, in line with regulations;
- Think Forward Strategy ensuring intended outcomes of key strategic initiatives are executed and result in improved customer experience and commercial growth;
- People driving initiatives to continue to be a healthy organistion and great place to work.

2019 Executive Board performance evaluation

The table below highlights key achievements, collectively accomplished by the Executive Board in 2019 in the areas mentioned if reflects both ING's overall ambitions and the specific performance priorities agreed with the Supervisory Board at the beginning of 2019. Sustainability increasing ING's social and environmental impact through our sustainability activities

Financial performance	Achieved underlying **result before tax** of €6,834 million down 9.2% from 2018, reflecting a well-diversified loan book with resilient margins, despite margin pressure on customer deposits. The net profit is €4,781 million, up 1.7% from 2018. Grew net core lending by €17.2 billion (+2.9%), increased customer deposits by €23.4 billion (+4.2%). Realised underlying **return on equity** (IFRS-EU) for ING Group of 9.4%, down from 11.2% in 2018. The underlying cost/income ratio decreased to 56.6% from $4.5% in 2018 driven by higer KYC, staff and regulatory costs (51% excluding regulatory costs).
Customer	Increased the number of **primary customers** by more than 830,000 to 13.3 million in 2019 (+6.7%). The total retain customer base reaches 38.8 million. Ranked number one in Net Promotor Score relative to competitors in six of the 14 retail markets. A growing share of Retail customers only interacts with ING on their mobile device, up from 26% in 2018 to 37% in 2019. Increase in conversation of customer interactions into sale, with seven times higher mobile sales in 2019 than in 2016.

ING annual report 2019, page 141.

*Note that on page 142 and 143 of the ING annual report 2019 the other non-financial performance indicators (operational control, think forward strategy, people and sustainability) are elaborated in a comparable way.

5.6 Annual change of compensation, of performance of company, and of average compensation of other employees over at least five most recent financial years, presented together in a manner which permits comparison (art. 2:135b-3e NCC)

The remuneration report shall contain the annual change of compensation, of the performance of the company, and of average remuneration on a full-time equivalent basis of employees of the company other than directors over at least the five most recent financial years, presented together in a manner which permits comparison (art. 2:135b-3e NCC). A good example of this disclosure be found in the remuneration part of the annual report 2019 of KPN.

Change in remnueration for members of the Board of Management versus company performance over five years and remuneration of average employee.

	2015	2016	2017	2018	2019
Remuneration Joost Farwerck (Appointed April 2013) -Year-on-year difference (EUR) -Year-on-year difference (%)	1,200,000 +391,000 +45%	1,418,000 +158,000 +13%	1,904,000 +486,000 +34%	1,384,000 -520,000 -27%	1,733,000 +349,000 +25%
Remuneration Jan Kees de Jager (Appointed September 2014) -Year on year difference (EUR) -Year on year difference (%)	1,770,000 Not comparable Not comparable	1,490,000 +220,000 +17%	2,022,000 +532,000 +36%	1,419,000 -603,000 -30%	1,632,000 +213,000 +15%
TSR position (part of LTI) -Position peer group	8th (no vesting)	6th (75% vesting)	3rd (150% vesting)	8th (no vesting)	6th (75% vesting)
Free cash flow (part of STI/LTI) -STI bandwidth pay-out level -LTI bandwidth pay-out level	Performance Maximum Not applicable	Performance Close to Target Below threshold	Performance Maximum Between on-target and maximum	Performance Around maximum Below threshold	Performance Maximum Slightly above threshold
EBITDA (part of STI) -Pay-out level STI bandwidth	Performance Around maximum	Performance Between threshold and on-target	Performance Between threshold and on-target	Performance Around on-target	Performance Between on-target and maximum
Average cost per FTE (IFRS)	70,658	79,924	82,967	85,355	83,445
Pay ratio CEO (IFRS)	42	33	36	29	30

The tables includes the current members of the Board of Management and a comparison is disclosed over the last five years as far as a 'like for like' comparision was possible (i.e. full year appointment during the five years period).

KPN annual report 2019, page 90.

5.7 If the company has subsidiaries or consolidates other companies' financial figures, the compensation charged to these entities in the financial year (art. 2:135b-3f NCC)

If the company has subsidiaries or consolidates the financial data of other companies, the remuneration report shall contain the compensation charged to these entities included in the consolidation in the financial year (art. 2:135b-3f NCC). In general, compensation is only charged to the company and therefore this item is not applicable. In some cases, the company mentions explicitly the board members from other companies in the group. A good example of this disclosure can be found in the remuneration report part of the annual report 2019 of Ahold Delhaize.

€ thousand	2019	2018
Frans Muller[1] Chief Executive Officer	**1,085**	1,040
Jeff Carr Chief Financial Officer	**769**	747
Kevin Holt[2] CEO Ahold Delhaize USA	**955**	856
Wouter Kolk[3] CEO Ahold Delhaize Europe and Indonesia	**649**	457

[1] The 2018 remuneration comprises the remuneration up to July 1, 2018, received in his capacity as Deputy CEO (€1,027 thousand per annum) and July 1, 2018, in his capacity as CEO (€1,053 thousand per annum)

[2] The 2018 and 2019 salaries have been converted from U.S. dollars into euros, for 2019 using the 2019 year to date average dollar-euro exchange rate of 0.8934, for 2018 using the 2018 year to date average dollar-euro exchange rate of 0.8476

[3] The 2018 remuneration reflects the remuneration for the period from his appointment to the Management Board on April 11, 2018 (€630 thousand per annum)

					2019	2018
€ thousand	Base salary	Target bonus	Performance multiplier	Actual bonus[1]	Actual bonus[1]	Actual bonus[4]
Frans Muller[1] Chief Executive Officer	1,085	1,040	100% of base salary: €1,085	89%	**965**	1,196
Jeff Carr Chief Financial Officer	769	747	100% of base salary: €769	89%	**685**	830
Kevin Holt[2] CEO Ahold Delhaize USA	955	856	100% of base salary: €955	89%	**851**	972
Wouter Kolk[3] CEO Ahold Delhaize Europe and Indonsia	649	457	100% of base salary: €649	89%	**578**	508

[1] The 2019 EIP represents accrued annual cash incentives to be paid in 2020, subject to shareholder approval of the financial statements.

[2] The 2018 and 2019 figures have been converted from U.S. dollars into euros, 2019 using the 2019 year-to-date average dollar-euro exchanges rate of 0.8934, for 2018 using the 2018 year-to-date average dollar-euro exchanges rate of 0.8476

[3] The 2018 remuneration reflects the remuneration for the period from his appointment to the Management Board on April 11, 2018

[4] The 2018 EIP represents the actual amount paid in 2019

Total remuneration in 2019 and 2018 per Management Board member

	Base salary		Annual cash incentive plan: EIP[4]		Othet[2]		Long-term equity-based program: GRO[3]		Pension'		Total remuneration	
€ thousand	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Frans Muller												
Costs (IFRS)	**1,085**	1,040	**965**	1,196	**248**	220	**1,971**	2,324	**87**	209	**4,356**	4,989
Entitlement[8]							**1,592**	3,284			**3,977**	5,949
Jeff Carr[6]												
Costs (IFRS)	**769**	747	**685**	830	**244**	268	**1,732**	976	**33**	36	**3,463**	2,857
Entitlement[8]							**992**	1,123			**2,723**	3,004
Kevin Holt												
Costs (IFRS)	**955**	856	**851**	972	**429**	363	**1,270**	1,211	**209**	196	**3,714**	3,598
Entitlement[8]							**1,337**	1,274			**3,781**	3,661
Wouter Kolk[7]												
Costs (IFRS)	**649**	457	**578**	508	**168**	119	**400**	215	**32**	24	**1,827**	1,323
Entitlement[8]							**581**	793			**2,008**	1,901

Ahold Delhaize annual report 2019, pages 110 and 115.

If there is no remuneration granted by or allocated to subsidiaries or other companies it is a good practice to mention this explicitly. A good example can be found in the remuneration report of ASML.

Remuneration grant by subsidiaries or other companies

No remuneration has been granted and allocated by subsidiaries or other companies whose financials are consolidated by ASML N.V. since all members of the Board of directors and the Supervisory Board are paid directly by ASML N.V.

ASML annual report 2019, page 116.

5.8 Number of shares and share options granted or offered and main conditions for exercise of the rights (art. 2:135b-3g NCC)

The remuneration report shall contain the number of shares and share options granted and the main vesting conditions (art. 2:135b-3g NCC). A good example of this disclosure can be found in the remuneration report of Heineken.

Long-term incentive

The Long-term incentive (LTI) is designed to drive and reward sound business decisions for HEINEKEN's long-term health, and to align the Executive Board with shareholder interests by linking rewards to HEINEKEN's share price performance. The target LTI opportunities for 2020 are 150% of base salary for the CEO and 125% of base salary for the CFO.

Each year, a target number of performance shares is conditionally granted based on the aforementioned target LTI opportunity percentage of that year, the base salary of that year, and the closing share price of 31 December of the preceding year. The vesting of these performance shares is contingent on HEINEKEN's performance over a period of three years on four fundamental financial performance measures:

Organic Net Revenue Growth
To drive top line growth

Organic Operating Profit beia Growth
To drive profitability and operational efficiency

Earnings Per Share (EPS) beia Growth
To drive overall long-term Company performance

Free Operating Cash Flow
To drive focus on cash.

These four performance measures have equal weights to minimise the risk that participants over-emphasise one performance measure to the detriment of others. At the beginning of each performance period, the Supervisory Board establishes the corresponding numerical targets for these performance measures based on HEINEKEN's business priorities. These targets are not disclosed upfront as they are considered to be commercially sensitive. In the first weeks after the end of the performance period, the Supervisory Board reviews the Company's performance against the pre-set targets, and approves the LTI vesting based on the performance achieved. The performance on each of the measures is reported in qualitative terms in the Remuneration Report after the performance period has been completed (cf. Part II).

For each performance measure, a threshold, target and maximum performance level is set with the following performance share vesting schedule:

Threshold performance
50% of performance shares vests

Target performance
100% of performance shares vests

Maximum performance
200% of performance shares vests.

For each measure, vesting in between these performance levels is on a straight-line basis; below threshold performance the vesting is zero, whereas beyond maximum performance it is capped at 200% of vesting at target.

The 2017-2019 Long-term incentive (LTI) relates to the performance period 2017-2019 and vests shortly after 12 February 2020, the publication date of these financial statements. The vesting of the LTI award for performance period 2017-2019 is subject to Heineken N.V. performance on four financial measures with equal weights. The Supervisory Board determined the results against the pre-set targets as follows:

Organic Net Revenue Growth
At maximum performance

Organic Operating Profit beia Growth
Between target and maximum performance

Earnings Per Share (EPS) beia Growth
At maximum performance

Free Operating Cash Flow
At maximum performance

As a result, the vesting of the LTI grant for performance period 2017-2019 will be equal to 180% of the vesting at target level. For the CEO this plan performance implies that 45,468 shares will vest shortly after 12 February 2020, as a result of the 25,260 conditional performance shares granted to him in 2017. For the CFO this plan performance implies that 22,734 shares will vest shortly after 12 February 2020, as a result of the 12,630 conditional performance shares granted to her in 2017. The resulting share awards are defined in before-tax terms (i.e. before deduction of withholding tax due); the actual net shares awarded (i.e. after withholding tax due) remain blocked for an additional period of two years until 16 February 2022, also in case of resignation during that period. Revision and clawback provisions apply to this award. The table overleaf provides an Overview of outstanding LTI awards (awards granted but not yet vested, or awards vested but still blocked) as of 31 December 2019.

	Grant date	No. of shares conditionally granted at target level[1]	Value of shares conditionally granted as of the grant date in€	Vesting date[2]	No. of shares vesting on the vesting date[3] (before-tax)	No. of shares vesting on the vesting date* (after-tax)	End of blocking period	Value of unvested or blocked shares as of 31.12.2019[5] in€
Van Boxmeer	2019	24,288	2,094,597	02.2022	t.b.d.	t.b.d.	14.02.2024	1,224,848
	2018	21,570	1,771,760	02.2021	t.b.d.	t.b.d.	13.02.2023	1,087,783
	2017	25,260	1,910,414	13.02.2020	45,468	24,157	16.02.2022	2,292,982
	2016	22,852	1,665,225	14.02.2019	41,820	21,279	11.02.2021	2,019,803
	2015	29,263	1,942,771	13.02.2018	47,699	24,175	12.02.2020	2,294,691
Debroux	2019	13,763	1,186,921	02.2022	t.b.d.	t.b.d.	14.02.2024	884,275
	2018	10,569	868,138	02.2021	t.b.d.	t.b.d.	13.02.2023	679,058
	2017	12,630	955,207	13.02.2020	22,734	15,389	16.02.2022	1,460,724
	2016	11,426	832,613	14.02.2019	20,910	13,836	11.02.2021	1,313,313
	2015	11,857	787,186	13.02.2018	19,327	12,762	24.04.2020	1,211,369

[1] Determined according to plan rules, using the closing share price of 31 December of the year preceding the grant date.

[2] The vesting date is shortly after the publication of the financial statements after completion of the performance period.

[3] Vested shares are disclosed I n before tax terms (i.e. before deduction of withholding tax due).

[4] Vested shares are disclosed I n after-tax terms (i.e. after deduction of withholding tax due).

[5] The value for the grants in 2015.2016 and 2017 is based on the actual number of shares vesting on the vesting date after tax withholding, I.e. after applying the relevant income tax rate, whereas the value for the grants in 2018 and 2019 is based on the number of performance shares conditional granted at target level (since the number of performance shares vesting is yet unknown) after applying the currently prevailing income tax rate. The share price as of 31 December 2019 is €94.92.

Heineken annual report 2019, pages 56, 59 and 60.

5.9 Reclaim of a bonus in whole or in part, if any, such as meant in art. 2:135-8 NCC (art. 2:135b-3h NCC)

The remuneration report shall contain the reclaim of a bonus in whole or in part, if any, such as meant in art. 2:135-8 NCC (art.2:135b-3h NCC). This is an exception. In some cases, it is mentioned explicitly that there was no such claw-back. An example can be found in the remuneration report of KPN.

Claw-back clause
The claw-back clause was not applied in 2019.

KPN annual report 2019, page 92.

5.10 Any deviations from the procedure for the implementation of the remuneration policy (art. 2:135b-3i NCC)

The remuneration report shall contain any deviations from the procedure for the implementation of the remuneration policy (art.2:135b-3i). This is also an exception. In some cases, it is mentioned explicitly that there were no deviations from the procedure for the implementation of the remuneration policy. See the example derived from the remuneration report of ASML here under.

We consider these negative confirmations useful because it communicates to the reader that the specific requirements have been considered.

Decision making process
No deviations took place from the decision-making process for the implementation of the remuneration policy.

ASML annual report 2019, page 121.

5.11 Any deviations from the remuneration policy (art. 2:135b-3j NCC)

The remuneration report shall contain any deviations from the remuneration policy (art.2:135b-3j NCC). This is quite exceptional, but Ahold Delhaize had a short notice on this in the remuneration part of its annual report 2019.

An individual exception to the Management Board Remuneration Policy has been applied for the CEO Ahold Delhaize USA (Kevin Holt). The Supervisory Board has and will determine the remuneration for the CEO Ahold Delhaize USA on the basis of a local reference market, the U.S. retail labor market reference group.

Ahold Delhaize annual report 2019, page 107.

5.12 Information as required by art. 2:383c/d/e NCC insofar that information is not already required by this paragraph (art. 2:135b-3k NCC)

The remuneration report shall finally contain information as required by art. 2:383c, d and e NCC insofar that information is not already required by this paragraph 3 as part of art. 2:135b NCC (art. 2:135b-3k NCC). This is, as a matter of fact, not to be considered as new required information, so we do not pay further attention to this item.

5.13 – 5.18 Bpp 3.4.1 CGC

5.13 How the remuneration policy has been implemented in the past financial year (bpp 3.4.1-i CGC)

The remuneration report shall describe how the remuneration policy has been implemented in the past financial year (bpp 3.4.1-I CGC). As a good practice, this can be combined with art. 2:135b-3d NCC (how financial and non-financial objectives were applied). We refer to paragraph 5.5, showing the good practice of ING.

5.14 How implementation of remuneration policy contributes to long-term value creation (bpp 3.4.1-ii CGC)

The remuneration report shall describe how the implementation of the remuneration policy contributes to long-term value creation (bpp 3.4.1-ii CGC). As a good practice, this can be combined with the requirements in art. 2:135b-3c (description how total compensation complies with adopted remuneration policy, including how it contributes to long-term performance of company). We refer to paragraph 5.4, showing the good practice of DSM.

5.15 That scenario analyses have been taken into consideration (bpp 3.4.1-iii CGC)

The remuneration report shall mention that scenario analyses have been taken into consideration (bpp 3.4.1-iii CGC). Almost all companies did mention this in line with the CGC. We have not found an example that explains in more detail (so in addition to the fact that scenarios have been used) which scenarios have been considered. Therefore, we have not selected an example related to this aspect of the CGC.

5.16 Pay ratios within the company and its affiliated enterprise and, if applicable, any changes in these ratios in comparison with the previous financial year (bpp 3.4.1-iv CGC)

The remuneration report shall state the pay ratios within the company and its affiliated enterprise and, if applicable, any changes in these ratios in comparison with the previous financial year (bpp 3.4.1-iv CGC). As a good practice, this pay ratio can be combined with the requirements in art. 2:135b-3e. Ad advantage is that the development of the pay ratio is also presented over a period of 5 years. We refer to paragraph 5.6, showing the good practice of KPN.

5.17 In the event that a board of directors' member receives variable remuneration, how this remuneration contributes to long-term value creation, the measurable performance criteria determined in advance upon which the variable remuneration depends, and the relationship between the remuneration and the performance (bpp 3.4.1-v CGC)

The remuneration report shall describe in the event that a board of directors' member receives variable remuneration, how this remuneration contributes to long-term value creation, the measurable performance criteria determined in advance upon which the variable remuneration depends, and the relationship between the remuneration and the performance (bpp 3.4.1-v CGC). In almost all cases board of directors' members receive variable remuneration. This is closely aligned to bpp 3.4.1-ii CGC (how the implementation of the remuneration policy contributes to long-term value creation). Both can be combined with the requirements in art. 2:135b-3c (description how total compensation complies with adopted remuneration policy, including how it contributes to long-term performance of company). We refer again to paragraph 5.4, showing the good practice of DSM.

5.18 In the event that a current or former board of directors' member receives a severance payment, the reason for this payment (bpp 3.4.1-vi CGC)

The remuneration report shall describe in the event that a current of former board of directors' member receives a severance payment, the reason for this payment (bpp 3.4.1-vi CGC). The remuneration report of ASR Nederland presents a good example of the reason for this payment (the explanation can be found in note 6). It is good to note that in many reports severance payments were not disclosed.

Amount for 2019 in € thousand	Fixed remuneration			Variable remuneration					
Executive Board member	**Base salary**	**Fees**	**Fringe benefits[2]**	**One year variable**	**Multi-year variable**	**Extraordinary variable**	**Pension expense[3]**	**Total remuneration**	**Fixed portion of the total remuneration[4]**
Jos Baeten, CEO	752	-	14	-	-	-	379	1,145	100%
Chris Figee, CFO	630	-	76	-	-	-	118	824	100%
Ingrid de Swart[5]	54	-	1	-	-	100	12	168	40%
Former member									
Karin Bergstein[6]	308	-	44	-	-	618	60	1,031	40%
Michel Verwoest[6]	43	-	6	-	-	561	10	620	9%
Total	**1,787**	**-**	**141**	**-**	**-**	**1,280**	**580**	**3,788**	**66%**

[1)] Restated 2017 and 2018.
The annual total compensation for the highest-paid individual consists of base salary and fringe benefits, including the maximum social security contributions.

[2)] Variations arise as a result of the fiscal treatment of lease vehicles depending on the price and private car, personal allowance and social security.

[3)] The Commitment on pensions did not change in 2019. the increase in annual pension expenses is caused by a decrease in the interest rates. The calculation of annual pension expenditure is based on the total pension rights granted during the term of service at a.s.r. Further changes in the cost of pension benefits are mainly due to impact of age, terms of service, gender and age differentiated disability, mortality and other actuarial assumptions. The pension costs include pension based om maximum pensionable salary cap, compensation for the maximum pensionable salary cap (to be used at the pensions at the employees' discretion) amounting to €285,000 (2018: €259,000) in total, and VPL. The pension benefits, excluding compensation for the maximum pensionable salary cap, represent post-employment benefits.

[4)] The proportion of fixed and variable remuneration is not relevant since the members of the EB do not receive any variable remuneration. The low proportion fixed and variable remuneration of Ingrid de Swart, Karin Bergstein and Michel Verwoest in 2019 is caused by the amount of extraordinary items (severance pay and signing bonus) received by them during the financial year.

[5)] Ingrid de Swart was appointed to the EB on 1 December 2019. The remuneration figures for 2019 reflect a partial year as a member of the EB. The fee relates to a signing bonus received.

[6)] Michel Verwoest left the EB and a.s.r., except for the amounts under extraordinary items. These amounts concern severance payments which are based on their annualized fixed remuneration on their contract termination dates.

ASR Nederland annual report 2019, page 120.

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Appendix

The extract below regarding the requirements of compensation statement and remuneration report is based on art. 2:135b-3 NCC and best practice provision (bpp) 3.4.1 CGC.

Art. 2:135b-3 NCC
Concerning the compensation of each individual director of the company at least the following matters are addressed:

a. The total compensation split out by component;
b. The relative proportion of the fixed and variable compensation;
c. How the total compensation complies with the adopted remuneration policy, including how it contributes to the long-term performance of the company;
d. How the by or on behalf of the company set financial and non-financial objectives were applied;
e. The annual change of compensation, of the performance of the company, and of average remuneration on a full-time equivalent basis of employees of the company other than directors of the company over at least the five most recent financial years, presented together in a manner which permits comparison;
f. If the company has subsidiaries or it consolidates the financial data of other companies, the compensation charged to them in the financial year;
g. The number of shares and share options granted or offered, and the main conditions for the exercise of the rights;
h. The reclaim in whole or in part of a bonus as meant in art.2:135-8 NCC;
i. Any deviations from the procedure for the implementation of the remuneration policy referred to in art.2:135a-6h NCC;
j. Any deviations from the remuneration policy referred to in art. 2:135a-4 NCC, including the explanation of the nature of the exceptional circumstances referred to in art. 2:135a-5 NCC and the indication of the specific elements derogated from;
k. The information as required by art. 2:383c, d and e NCC unless already required under this article.

Best practice provision (bpp) 3.4.1 CGC

The remuneration committee prepares the remuneration report. In this report shall, in addition to the requirements by law, be described in a transparent manner at least the following:

i. How the remuneration policy has been implemented in the past financial year;
ii. How the implementation of the remuneration policy contributes to long-term value creation;
iii. That scenario analyses have been taken into consideration;
iv. The pay ratios within the company and its affiliated enterprise and, if applicable, any changes in these ratios in comparison with the previous financial year;
v. In the event that a board of directors' member receives variable remuneration, how this remuneration contributes to long-term value creation, the measurable performance criteria determined in advance upon which the variable remuneration depends, and the relationship between the remuneration and the performance; and
vi. In the event that a current or former board of directors' member receives a severance payment, the reason for this payment.

Deloitte.