Key observations on 2021 Remuneration reports

Increased levels of transparency around target setting and above target bonus pay-out levels

CEO Base salary increased with ca. 4% on average in 2021 (excluding 0 increases). 30% of companies disclosed a base salary change for 2022, with a median increase of ca. 4%.

Median increase in **CEO Pay Ratio** is ca. 8%, mainly due to higher CEO variable pay (median pay ratio is at 23.7). Most companies kept calculation methodology consistent with previous years (despite updated guidance).

2021 economic circumstances were less volatile than 2020, reducing the need for **discretionary adjustments.** Five companies disclosed discretionary upward adjustments to either STI pay-out or LTI vesting levels.

Remuneration reports are becoming **more transparent**, as disclosure of (backward-looking) targets and the use of Remuneration Committee Chair letters is becoming more prevalent.

Backward-looking disclosure of measures used and target setting is becoming the new standard

In 2021, ca. a third of companies received less than 90% voting support - and ISS issued an “against” vote recommendation for almost 25% of Remuneration reports. We now see increased levels of transparency:

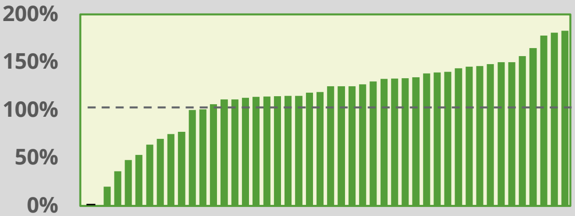
Full disclosure* of Short-Term Incentive			
Performance measures		Target setting	
Backward looking	**Forward looking**	**Backward looking**	**Forward looking**
95%	**40%**	**35%**	***None***

Full disclosure* of Long-Term Incentive			
Performance measures		Target setting	
Backward looking	**Forward looking**	**Backward looking**	**Forward looking**
100%	**80%**	**45%**	**15%**

**Partial disclosure of performance measures or target setting is excluded from the full disclosure statistics*

Bonus outcomes are mostly above target, whereas LTI vesting levels show a more mixed picture

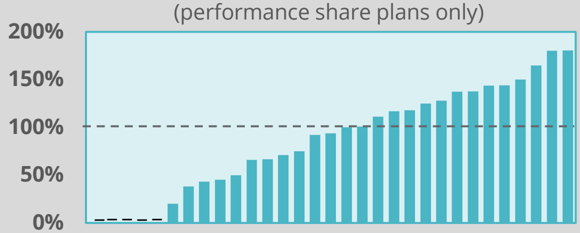
CEO bonus pay-out as % of target



Average: 116%
Median: 125%

Average: 87%
Median: 94%

CEO LTI vesting level as % of target
(performance share plans only)



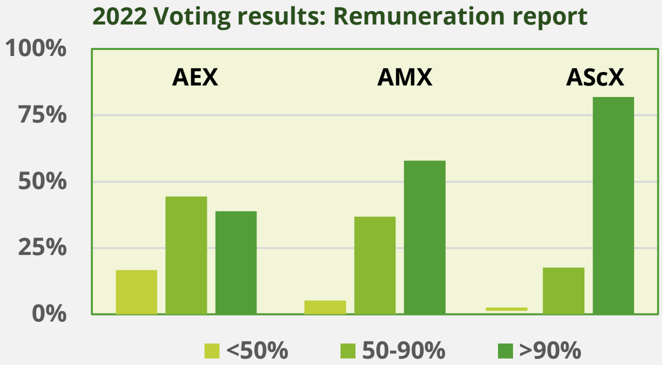
 | ***Analysis based on AEX, AMX and AScX companies with their legal entity and/or HQ in the Netherlands***

Key takeaways from the AGM season

Deloitte.

Sufficient shareholder support for most remuneration items, but investor pushback is increasing

Remuneration report



- Shareholder support levels for the 2021 Remuneration reports are significantly below last years' support levels.
- This is mainly the result of increasing investor/proxy advisor expectations around transparency and alignment with evolving market standards (incl. link to ESG).
- This year saw some historically low support levels for Remuneration reports (in two cases below 25% support), driven by the use of discretion to adjust variable compensation outcomes upwards.

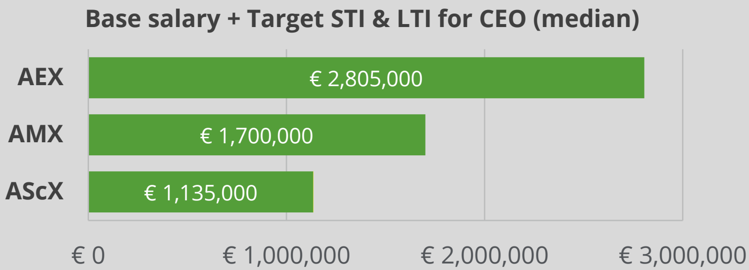
Remuneration policy

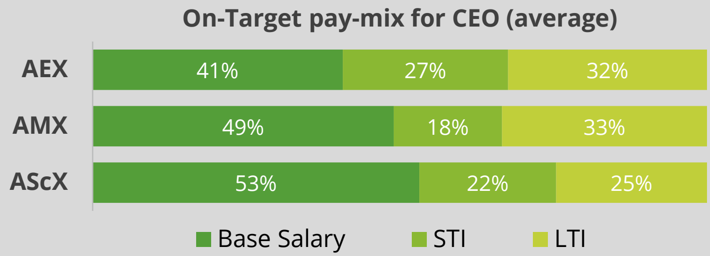
- Most Remuneration policies brought to vote were approved with a large majority (>90%). Lower approval rates were mainly the result of excessive (potential) pay-outs, possibility for one-off awards and lack of transparency on performance criteria and targets.

17 EB Remuneration policies brought to vote
Changes in STI: Levels (8), KPI type/weighting (5), Introduction of Deferral (1)
Changes in LTI: KPI type/weighting (5), Levels - mostly increases (5), Instrument / plan type (2), Time horizon (1)
Other Changes: Minor adjustments (7), Share Ownership Guidelines (3), Peer Group (2)

13 SB Remuneration policies brought to vote
Changes in Committee fees (12): Mostly increases in Chair and Member levels
Changes in Annual Retainers (10): Mostly increases in Chair and Member levels
Travel allowances (2): Introductions

CEO compensation levels and pay-mix in the Netherlands





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Hot topics impacting the 2022 RemCo agenda

Deloitte.

Incentivizing ESG & climate transition

- ESG/climate metrics in incentive plans can be a powerful tool in driving leadership behaviors and sending the right message to shareholders and wider stakeholders.
- Most businesses are at the start of their ESG/climate journey, and market practice will continually evolve in terms of how ESG and climate metrics are incorporated (and measured) under incentive plans.
- While many Dutch companies already have one or more ESG KPIs in their executive incentive plans, we expect to see a further shift of companies linking incentive plans to ESG (specifically towards net zero / climate goals).

The broadening RemCo remit

- Investors are increasingly expecting RemCos to have oversight and challenge management around workforce pay, policies and culture - such as fair/equal pay across the company, employee relations & engagement, and the diversity agenda.
- Although the broadening remit is not (yet) formalized in rules or regulations (as for example in the UK), we observe that also in the Netherlands the RemCo remit is expanding to include broader people and pay matters. This trend seems irreversible.

Simplification of long-term incentive design

- RemCos are increasingly exploring introduction of restricted shares instead of performance shares (following developments in the UK and practices in the US). Benefits include longer-term alignment and less time spent on areas such as target setting.
- Investor reaction to restricted share plans remains mixed, however coherence with the business strategy, discount level (vs performance-based plans) and use of performance underpins can be key factors in obtaining shareholder support.

Alignment with the stakeholder experience

- The commercial challenge of ensuring that pay arrangements attract the right talent and support the execution of the corporate strategy remains unchanged. However, executive pay outcomes are increasingly scrutinized by investors, the media and society to ensure they reflect the shareholder- and employee experience.
- Especially in today's volatile circumstances, RemCos are expected to use judgment and demonstrate how decisions are fair, appropriate and consistent in respect of the wider workforce and considering external developments outside the company's control.