Executive Remuneration Reporting in Europe:
Getting inspired by business practice

Executive Remuneration

Research Centre

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Preface

A number of interesting evolutions take place in the field of reporting on executive remuneration, more specifically in firms listed on the stock exchange. Firstly, transparent reporting on executive remuneration is more and more considered to be a proof of good corporate governance. In this respect, it is our experience that within countries, where the same regulatory context applies, important differences can be found related to the degree of transparency on executive remuneration. Secondly, Directive (EU) 2017/828 of the European Commission, also called Shareholder Rights Directive II, puts forward a number of new obligations to the member states in the field of reporting on executive remuneration. More specifically, the following items should be disclosed:

- Total remuneration split out per remuneration instrument.
- An explanation on how the remuneration complies with the remuneration policy.
- Information on how the underlying performance criteria were applied.
- Information on the annual change in the firm's performance, the remuneration and the average remuneration over at least the 5 most recent years.

In order to facilitate the implementation of article 9b of the Shareholder Rights Directive II, the European Commission has developed the '*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*'. The guidelines are non-binding and have the objective to help companies with disclosure on executive remuneration in their remuneration reports, also in order to improve comparability and understanding by different stakeholders.

Even though the guidelines are still in a draft version (the most recent one dating 12/07/2019[1]), a lot of listed firms already apply them. Even though the Guidelines are non-binding, they can serve as an important source of inspiration and provide a good general framework and structure. Furthermore, it can be expected that institutional investors and their advisors will prefer listed firms to disclose information on executive remuneration based on these guidelines.

The objective of this study by Vlerick Business School's Executive Remuneration Research Centre is to inspire firms related to the design, lay-out and content of their remuneration report. In order to do this, the report is structured according to the European Commission's *Guidelines on the standardised presentation of the remuneration report*.

It should be stressed that this report is mainly addressed to listed firms, as the Shareholder Rights Directive and the *Guidelines on the standardised presentation of the remuneration report*, apply to listed firms. However, also a number of non-listed firms might be interested and inspired by this report in case they want to apply the highest standards in the field of reporting on executive remuneration, even though this is not legally obliged.

Prof. Xavier Baeten

[1] At the moment of the writing of the report, the final guidelines were not yet issued by the European Commission. However, taking into account the need for guidance of organisations for reporting on FY 2020, it was decided to base this report on the draft version dated 12/07/2019. In the meantime, no changes have been made to the guidelines and it is not expected that important changes will take place.

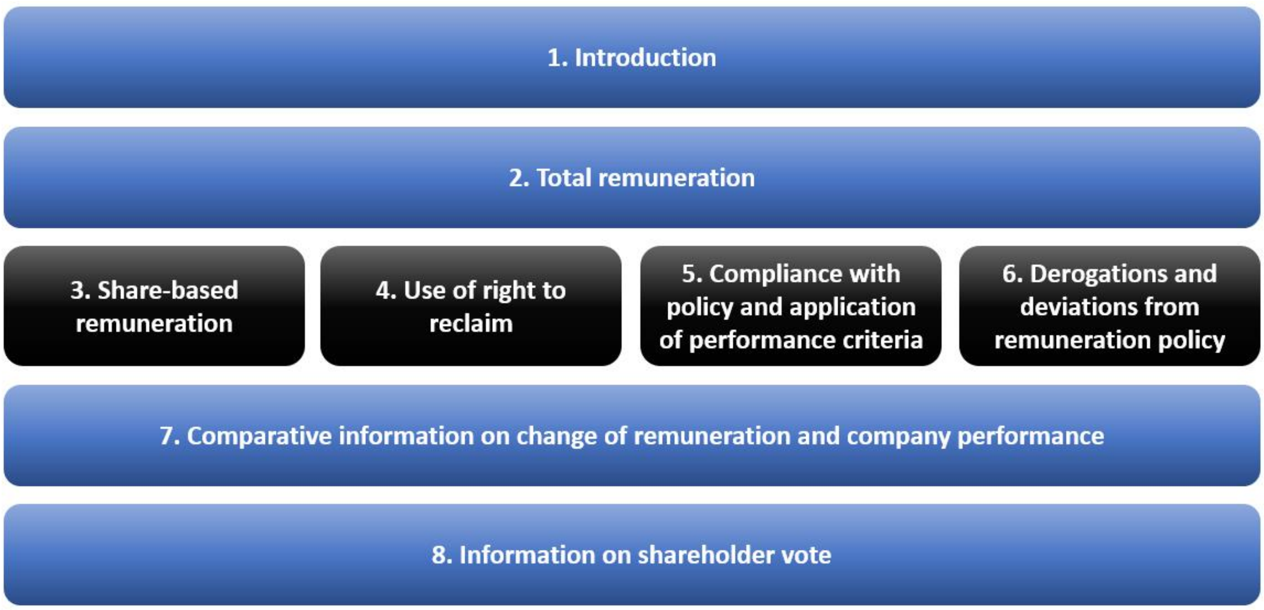
How to read this report?

As was already mentioned in the previous paragraphs, the European Commission's Guidelines on the standardised presentation of the remuneration report serve as the basic framework around which this report is built. As a consequence, the report uses the structure which is provided in the guidelines, which can be found in the figure below. For each component, we will start by mentioning the exact stipulations in the Guidelines as well as the tables that are provided in the Guidelines (named 'Stipulations by the European Commission's Guidelines'). In each part, this is followed by a number of examples showing how the guidelines can be applied in practice, and also showing different approaches by firms in this respect (named 'Business practice and application'). Each of the examples is first introduced and explained, followed by excerpts of the remuneration report (the weblinks to the remuneration reports can be found in the section with references). In cases where examples deal with the same topic, they will be grouped.

The figure below provides an overview of the content of the European Commission's Guidelines. The user can either read through the present report or, in case of a specific interest, select one (or more) of the topics mentioned in the figure below and then look for the corresponding page in the table of contents on page 2-3. The table of contents follows the numbering of the different parts in the Guidelines mentioned in the figure.

Our main source of inspiration for the real-life practices was found in the Netherlands, as the Shareholder Rights Directive was already in force over FY 2019 in that country. This was supplemented by examples from the best performing firms in the field of executive remuneration disclosure in the United Kingdom. In exceptional cases, also examples from Belgium, Switzerland and France are included.

Figure: Structure of the report



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Introduction

Stipulations by the European Commission's Guidelines

1. In order to put the reported remuneration in context, readers of the Report will need relevant information about the general performance of the company during the reported financial year and any specific events that occurred. It is therefore recommended that the Report starts with an introduction providing a brief overview of the last reported financial year's main features. This may also include an overall summary about the application of the remuneration policy.

2. This introduction could include the main pieces of information that help to put the directors' remuneration during the reported financial year into context, such as any key events in the company's operations, its performance, major decisions, the business environment in which it operates, its prospects and sustainability issues. It could also highlight key changes in the remuneration of directors as such, in the performance criteria or methodology used and in the remuneration policy or in its application, compared to the previous reported financial year. If there has been any deviation or derogation from the remuneration policy during the reported financial year, this could also be mentioned in the introduction, together with information as to how the vote or the views of the shareholders on the remuneration report were taken into account.

The European Commission explicitly asks to include an introduction to the remuneration report. More concretely, the Guidelines ask for disclosure on:

- The general performance of the company.
- Key characteristics and events related to its business context.
- Changes in the remuneration policy or its application.
- Deviations from the remuneration policy.
- How the votes and/or views of the shareholders were taken into account.

It is also mentioned that the introduction could include a summary regarding the application of the remuneration policy. In this respect, we want to specify that a more detailed explanation on how the remuneration complies with the policy needs to be explained under '5. Compliance with policy and application of performance criteria.' (cf. infra).

The examples which were selected below, show different approaches used by companies related to the introduction on the remuneration report. In any case, it can be mentioned that having an introductory statement by the chair of the remuneration committee, can be considered to be good business practice. In that introduction, an overview can be given on the different dimensions asked for in the Guidelines. Practice learns that companies do not adopt a universal approach related to the introduction of the remuneration report. For that reason, we provide an overview of different practices that might serve as a source of inspiration.

Business practice and application

ING Group

In this example, the chair of the remuneration committee gets a clear 'face', by including a large picture. The introduction by the remuneration committee chair in this example consists of the following parts:

- An explanation on the outlook and content of the remuneration report.
- Main conclusions about the performance of the bank. In this example, however, the concrete remuneration outcome is not yet explained, this follows later in the report.
- An explicit mention that the report is drafted according to the European Commission's guidelines.
- Interestingly, an important part of the introduction by the remuneration committee chair deals with stakeholder engagement. As ING has encountered some societal reactions on a proposed salary increase in earlier years, the remuneration committee chair takes the opportunity to admit that this might not have been the right approach. She then takes the opportunity to report on the process of stakeholder engagement, focusing both on the methodology and on the outcomes of the process.
- The introduction then concludes with providing an overview on the main changes for the coming year.

Remuneration report

Our view on remuneration

FOR INFORMATION ONLY

ING's remuneration approach is designed to attract, motivate and retain leaders and qualified staff who have the skills, abilities, values and behaviours needed to achieve our strategy. It aims to ensure we offer well-balanced remuneration within our risk appetite, promoting effective risk management. At the same time, we take into account our responsibility to our customers, society and other stakeholders, whose trust – quite simply – is our licence to operate.

ING's remuneration principles are important to achieve the bank's strategy, its purpose – to empower people to stay a step ahead in life and in business – and its risk profile. These principles apply to all employees, including members of the Executive Board (hereafter 'EB'). They aim to maintain a balance between short-term and long-term value creation for all stakeholders while being responsible and fair. Ultimately, it's about making sure we are able to effectively reward success and avoid rewarding for failure.

In this report we look back on the year 2019. We report on ING's performance and how 2019 events have impacted remuneration. We outline the current Executive Board and Supervisory Board remuneration policies and share details of remuneration awarded in 2019 to the Executive Board, including variable remuneration, and to the Supervisory Board.

Thereafter, we set out the remuneration approach that applies to all employees and explain more about how total direct compensation and variable remuneration work within ING. We also explain the performance management process and its link to remuneration, and we provide more information on the measures we have in place to mitigate risk.

Overall, the Supervisory Board has concluded that the Executive Board members did well to deliver our results in 2019. Although the underlying result before tax and underlying return on equity decreased compared to 2018, good progress was made in the execution of the Think Forward strategy. This is shown by the continued growth of primary customers, ongoing execution of the KYC enhancement programme with strong governance from top management and further progress in sustainability. See page 141.

Looking ahead, there is an additional section in this year's report outlining the Supervisory Board's proposal for remuneration policies for the Executive Board and the Supervisory Board for the coming years.

This 2019 remuneration report is our first under the requirements of the Dutch Act implementing the Shareholder Rights Directive II (SRD II). This report is also drafted in the spirit of the European Commission's non-binding draft guidelines for disclosure. We intend to update our 2020 remuneration report to reflect the final guidelines, which we expect will have been published by then, also taking into account the advisory vote of shareholders regarding this 2019 remuneration report.

Our starting point

The Supervisory Board acknowledges that in the past it has not always got its stance on remuneration right. This was especially apparent in 2018, when a proposal to amend the remuneration policy of the Executive Board elicited much criticism. It was subsequently withdrawn and the Supervisory Board promised to carry out an extensive review of the remuneration policy.

We did this review in 2019, in consultation with advisory bodies and a broad range of stakeholders, holding meaningful discussions to make sure our remuneration approach and subsequent proposal achieves the right balance among the various viewpoints and interests.

Stakeholder engagement

A long list of stakeholders participated in these discussions, including our Dutch Central Works Council, representatives of Dutch trade unions, the Advisory Council of ING Netherlands, trade bodies and regulatory and governmental authorities such as the Dutch central bank and the European Central Bank. A number of institutional shareholders together holding approximately 24% of ING's share capital were also consulted, as well as proxy advisory firms and Dutch shareholder advocacy groups. A specialised market research firm elicited qualitative feedback from customers, and we asked current members of the Executive Board for their views, in line with the Dutch Corporate Governance Code.

In these dialogues the most contentious point was the level of total direct compensation. Some investors were concerned about ING's ability to attract the relevant talent. Other stakeholders were more critical about the general remuneration level. There was also criticism that the EURO STOXX 50 peer group, which ING uses as a benchmark for remuneration, includes too many companies that are not sufficiently comparable.

On the subject of variable remuneration, stakeholders understood and supported the continuation of this within the limits of Dutch legislation (i.e. a maximum of 20% of base salary). There was a clear ask for more transparency about the metrics used to determine variable remuneration and how these are applied for the performance year.

The insights gained from the stakeholder engagement process have significantly contributed to the quality of the remuneration policy that we intend to propose to shareholders at the next Annual General Meeting (hereafter 'AGM') in April 2020. Both myself and my colleagues on the Supervisory Board highly appreciate the participation of stakeholders and the meaningful insights they provided.

Proposed way forward

Based on the various viewpoints, interests, remarks and concerns, going forward we are proposing a moderate annual base salary increase linked to an external indexation reference point such as a consumer price index and ING's CLA increases.

To increase the relevancy of our peer group, the Supervisory Board is proposing to use a smaller one based on geography, relevant talent market, size and governance framework. We intend to include a balancing factor to ensure we also consider relevant peer companies that may not fulfil the other criteria. The proposed benchmark consists of eight comparable Dutch companies and eight relevant European financial services providers.

A summary of the proposed policy is included on page 156. Among other things it aims to provide more clarity on the performance metrics to be used for awarding variable remuneration, how targets are set and how achievements are measured, as well as reflecting ING's risk culture and compliance initiatives.

Subject to approval by shareholders at the next AGM, the new remuneration policies for Executive Board and Supervisory Board members will become effective retroactively from 1 January 2020.

As the discussions with stakeholders last year showed, remuneration is an important topic for many stakeholder groups, who raised varying viewpoints on the topic. Myself and my colleagues on the Supervisory Board are fully committed to making sure we get our approach to remuneration right – for now and in the future. It's about achieving a balance that is right for ING, for customers, shareholders, other stakeholders and society at large.

Herna Verhagen

Herna Verhagen
Chairman of the Supervisory Board Remuneration Committee

Ahold Delhaize

Also this remuneration report starts with an introduction by the remuneration committee chair. An interesting difference with ING Group's remuneration report is that, while a lot of attention was paid to the broader stakeholder interests in ING Group's report, Ahold Delhaize's chairman of the remuneration committee addresses himself directly to the shareholders. He also mentions stakeholders but without further information on the outcome of the process and its consequences. Of course, this might be related to the fact that there is more societal scrutiny towards banks, which forces them to pay more attention to and report on stakeholder consultation.

Furthermore, in the introduction, Ahold Delhaize's chair of the remuneration committee provides information on the performance of the firm, and he also relates this to the bonus outcome as well as the vesting of the long-term incentives.

Another interesting element is that this introduction, besides information on the performance of the company, also provides an overview of the changes in the composition of the management board. Even though this is not explicitly mentioned in the Guidelines, it can be considered to be a main characteristic in the company's business context.

Bill McEwan
Chairman of the Remuneration Committee of the Supervisory Board

Dear shareholder,

I am pleased to present our 2019 Remuneration report. This year, we redesigned the structure and presentation of our report to be more complete, transparent and reader-friendly. It now provides additional detailed information regarding the remuneration of the members of the Management Board and Supervisory Board.

In the sections below, I will look back on the Remuneration Committee's activities in 2019, including remuneration outcomes, and discuss our remuneration approach for 2020 and beyond.

2019 in review
In 2019, the Remuneration Committee performed a thorough review of the Remuneration Policy for the Management Board to ensure it was still aligned to support our Leading Together strategy and the long-term growth of the Company. Following this, the Supervisory Board proposed an amended Remuneration Policy that reflected even stronger alignment with the interests of all our stakeholders. The introduction of key annual strategic imperatives to our short-term incentive plan and an earnings per share growth measure to our long-term incentive plan, tied our Remuneration Policy even more closely to performance on our strategy. The amended Policy was adopted by the General Meeting of Shareholders on April 10, 2019, by a vote of 92.09% in favor.

Throughout the year, we continued to closely monitor and take into account developments in the global, regional, and local labor markets when making recommendations to the Supervisory Board about Management Board remuneration. We also engaged with our stakeholders to discuss the feedback we received during the 2019 General Meeting of Shareholders and our approach to the remuneration of key management personnel going forward.

With respect to Company performance, we faced some challenges, such as the strike at Stop & Shop, while at the same time, we outperformed on the online sales growth target for the short-term incentive and the Sustainable Retailing target for the long-term incentive. All in all, this resulted in a bonus payout level that is slightly below target and a relatively low vesting percentage for our equity-based incentive plan in 2020.

Looking forward

In 2017, the European Parliament adopted the Shareholder Rights Directive II, which is now being implemented in national legislation in EU member states and aims to increase long-term shareholder engagement in listed companies seated in the European Union. In light of the new legislation, the Remuneration Committee conducted an analysis of our remuneration policies and disclosures. Based on this, we will propose to the 2020 General Meeting of Shareholders that the current Remuneration Policy for the Management Board is supplemented with our Principles and Procedures, which articulate our existing remuneration principles and provide more details regarding our remuneration governance and how we seek alignment with our stakeholders.

The principles we apply to the remuneration of key management personnel are the same as those we apply to the remuneration of all our associates. As one of the world's leading food retail groups, Ahold Delhaize and its brands employ over 380,000 associates, who are engaged, experienced and passionate about serving our customers and communities. Our great local brands are dedicated to being good employers and will continue to improve their working conditions with an engaged, inclusive, balanced and healthy workplace for all associates. We believe this will enable us to attract, develop and retain the best talent and capabilities that will allow us to stay in the lead.

The Remuneration Committee will also propose to the General Meeting of Shareholders a new Remuneration Policy for the Supervisory Board that continues existing practice while updating the remuneration structure and levels to the current circumstances following our successful merger and integration. The aforementioned Principles and Procedures will also be an integral part of this new policy.

We aim to disclose clear and understandable information on individual Management Board member remuneration. This year's Remuneration report introduces new tables that provide additional insight into the total remuneration received by each member of the Management Board, as well as the performance realized and the payout of our incentive plans. I trust that you will find these additions to the report valuable.

In 2019, we announced that our CFO Jeff Carr will not stand for another term as member of the Management Board after his current term expires. We also announced the appointment of Natalie Knight as Ahold Delhaize's Executive Vice President Finance and member of the Executive Committee, effective March 1, 2020. Natalie will be nominated by the Supervisory Board to be appointed as a member of the Management Board at the annual General Meeting of Shareholders in April 2020, officially succeeding Jeff as CFO. At this same meeting, we will also propose the reappointment of Kevin Holt as a member of the Management Board in the capacity of CEO of Ahold Delhaize USA. The individual remuneration packages for Natalie and Kevin are detailed in the AGM circular released alongside this annual report.

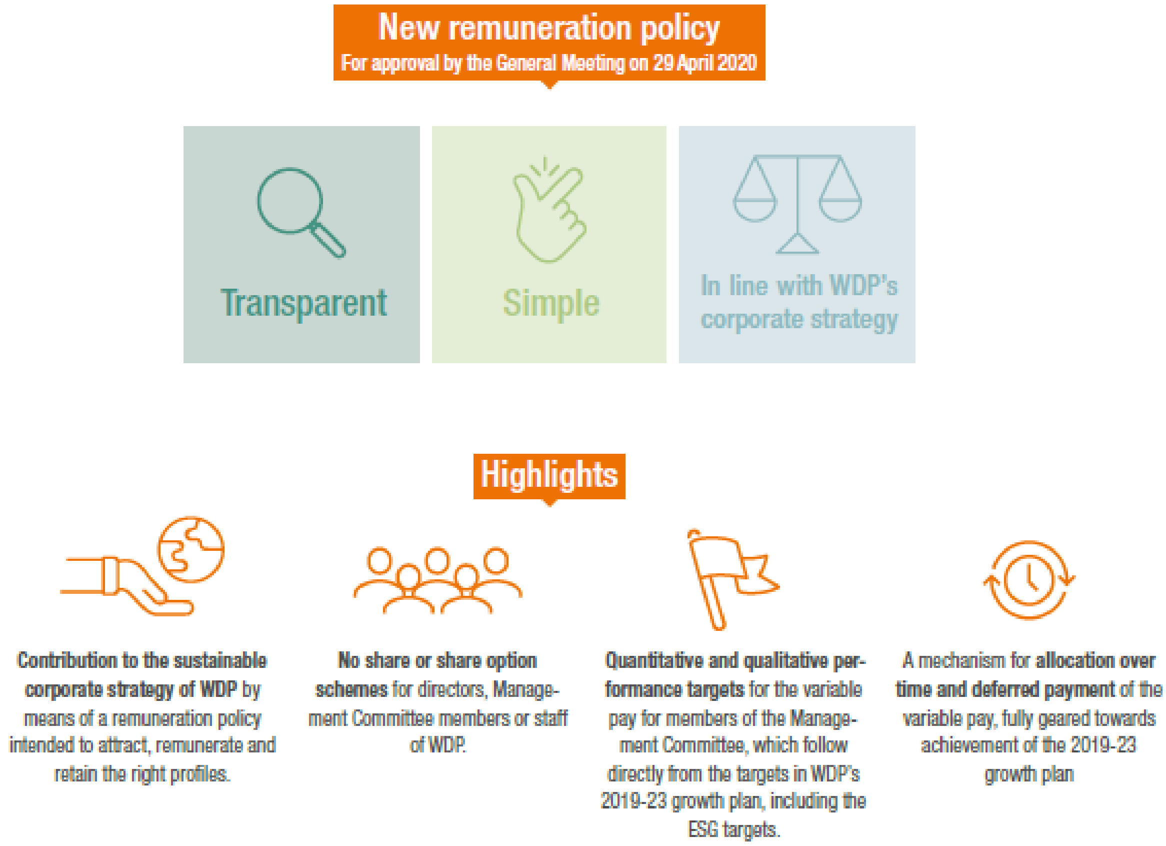
I look forward to presenting our proposals and this Remuneration report at our annual General Meeting of Shareholders on April 8, 2020.

On behalf of the Remuneration Committee,
Bill McEwan

WDP

WDP provides a good example of a graphical representation of the main features of the remuneration policy in the introduction to the remuneration report. 3 main principles (transparent, simple, strategic alignment) and 4 main characteristics are disclosed.

Even though there is no explicit mentioning in the Guidelines of the need to disclose this information, it can be considered to be a good practice to disclose this information in the introduction to the annual report.



Schroders & PostNL

These companies provide information on the main principles underlying the executive remuneration systems.

Our remuneration principles

The overall remuneration policy is designed to promote the long-term, sustainable success of the Group. The Committee has developed the remuneration policy with the following principles in mind:

Aligned with shareholders A significant proportion of variable remuneration is granted in the form of deferred awards over Schroders shares, thereby aligning the interests of employees and shareholders. Executive Directors and other members of the GMC are required, over time, to acquire and retain a significant holding of Schroders shares or rights to shares. On stepping down, the executive Directors are required to maintain a level of shareholding for a further two years.

Aligned with clients A significant proportion of higher-earning employees' and material risk takers' variable remuneration is granted as fund awards, which are notional investments in funds managed by the Group, thereby aligning the interests of employees and clients. This includes the executive Directors, other members of the GMC and other key employees such as senior fund managers.

Aligned with financial performance We target a 65% ratio of total costs to net income through the market cycle. Within that, the total spend on remuneration is managed as a percentage of net income, the total compensation ratio. This ratio is determined by the Committee and recommended to the Board. This approach aligns remuneration with financial performance.

Competitive Employees receive a competitive remuneration package, which is reviewed annually and benchmarked by reference to the external market. This allows us to attract and retain highly talented people, who know that good performance will be rewarded.

Designed to encourage retention Deferred variable remuneration does not give rise to any immediate entitlement. Awards normally require the participant to be employed continuously by the Group until at least the third anniversary of grant in order to vest in full.

The main principles of PostNL's current renumeration policy are:

- sobriety
- a base salary based on median market levels
- moderate variable remuneration with focus on both short-term and long-term objectives
- long-term compensation supportive to the attainment of PostNL's strategy
- transparency
- alignment with multi-stakeholder interests
- responsible and risk-controlling
- performance-related for reasonable variable remuneration with payout in cash and in shares

KPN

KPN goes one step further by combining information on the remuneration principles with more concrete characteristics of the remuneration systems (e.g., information on target bonus levels).

Remuneration policy Board of Management

The main principles of KPN's remuneration policy as described below are based on a balanced approach between market competitive standards, the ratio between fixed and variable pay and the economic and social contribution of the company linked to the non-financial parameters of the variable pay:

- Paying at market-competitive level (considering all fixed and variable components of the remuneration policy) achieved through benchmarking against an employment market peer group
- Pay-for-performance by driving financial and non-financial performance that generates long-term sustainable and profitable growth. Target remuneration aims at 30-40% of pay in base pay and 60-70% in variable pay in order to maintain a strong alignment with the company's financial performance goals and long-term value creation strategy
- Differentiating by experience and responsibility through alignment of the pay with the responsibilities, relevant experience, required competences and performance of individual jobholders
- Balancing all stakeholder interests, including the views of shareholders and society (a.o. dialogue with works council) by complying with best practices in corporate governance, defining targets for the variable pay plans based on financial and non-financial targets and a transparent and clear remuneration policy.

Van Lanschot Kempen

In the case of Van Lanschot Kempen, the introduction to the remuneration report starts with an overview of the key objectives and responsibilities of the remuneration committee, as well as the number of meetings it held over the year. Some companies even go further in this respect and also provide an overview of the topics that were dealt with during each of these meetings. This is interesting information from the perspective of executive remuneration governance.

An interesting dimension in this example dealt with the detailed description of the process of stakeholder engagement. As was mentioned, the Guidelines ask for information about how the views of the stakeholders were taken into account. In this example, the company starts its section on stakeholder engagement with an inventarisation of the stakeholders that were included in the engagement programme, and it also lists the topics that were dealt with. In the format of a table, the company then provides an overview of the most important topics that originated from the stakeholder dialogues (being the absence of variable remuneration, performance management combined with the absence of variable remuneration, indexation of executive remuneration, the composition of the peer group, and the derogation clause). For each of these topics, the feedback from the stakeholders is shared, together with an explanation by the company. Further reading shows that this explanation also includes adaptations of the executive remuneration policy and practices if this is considered to be in the interest of the firm in its societal context. In this respect, this company is a good example of stakeholder engagement in the field of executive remuneration.

We pick out two examples on how the company deals with this (and it also discloses this information):

- Indexation: the company has a system in place where, likewise the remuneration of other employees, also executive remuneration is indexed. Moreover, Van Lanschot Kempen has decided to align indexation of executive remuneration with general increases applicable to the wider workforce. Moreover, indexation needs to be justified by the performance of the company.
- A lot of attention is being paid to the peer group because apparently, the peer group of the company consists of significantly larger firms, which leads to questions by stakeholders. The interesting element here can be found in the explanation by the company. In this respect, it does not only explain the logic, it has also undertaken some actions in order to respond to the stakeholder concern.
    - Explanation: the company refers to the principle that the peer group consists of companies where they get people from, and that these are the larger firms. Also, it stipulates that the market positioning is below market median.
    - Actions undertaken: while most companies limit themselves to explanations, Van Lanschot Kempen goes a step further. It has asked its provider of salary data to benchmark one level deeper in each organisation. It provides a lot of details about the process as well as on the results of this exercise.

On the next page, we first show the general outlook of the remuneration report. This is followed by more detailed pictures related to specific parts.

Remuneration Committee

Key objectives

To advise on the Statutory Board remuneration policy and its execution, and to prepare the Supervisory Board's decision-making.

Responsibilities

The responsibilities of the Remuneration Committee include:
- Providing advice to the Supervisory Board on:
  - the determination of the policy on remuneration of the Statutory Board;
  - the total remuneration packages for the members of the Statutory Board;
  - the remuneration of the members of the Supervisory Board;
- Preparing the annual remuneration report;
- Overseeing remuneration policies and practices, including total variable remuneration paid to Van Lanschot Kempen employees, significant[1] individual variable remuneration, and individual variable remuneration to all identified staff.

The committee held five meetings in 2019.

Composition

Chair
Bernadette Langius

Members
Willy Duron
Maarten Muller
Frans Blom
Jeanine Helthuis

Letter from the Chair of the Remuneration Committee

Dear shareholder,
As Chair of the Remuneration Committee, I'm pleased to present Van Lanschot Kempen's remuneration report. This is our first report that is guided by requirements originating from the updated EU Shareholder Rights Directive. Although there is still not full clarity around the specific legal requirements for the report, we aim to draft this report in line with the spirit of the draft EU guidelines for disclosure. We intend to further update our 2020 report when there is more clarity.

This report includes both a summary of our Statutory Board and Supervisory Board remuneration policy as approved by shareholders at the 2018 AGM, and our annual report on remuneration, which sets out how our policy was applied during 2019, and how it will be applied for 2020. The annual report on remuneration will be subject to an advisory vote at our AGM on 28 May 2020. We will reflect on the feedback we received on our current remuneration policy and how we have incorporated that feedback.

Alignment with our strategic framework

Since the announcement of our wealth management strategy in 2013, Van Lanschot Kempen has transformed from a small universal bank to a specialist wealth manager. This has resulted in strong performance over recent years. In the future, the company will continue to pursue its wealth management strategy, and will use the latest technology and expertise in digitalisation and advanced analytics to grow the business and to make the organisation more efficient. As a specialist wealth manager, we compete with large (Dutch) financial institutions in our niches.

We strongly believe that our future success requires a strong Statutory Board with a proven track record in wealth management, while experience in digitalisation and advanced analytics is also key. As a consequence, the remuneration of the Statutory Board members should be such that Van Lanschot Kempen is able to attract and retain the necessary talent, which includes future board members from highly specialist wealth management and technology firms. Moreover, the remuneration package of the Statutory Board must be structured to fit properly within the Dutch (regulatory) context.

Remuneration principles remained unchanged in 2019

We believe in rewarding long-term sustainable performance to help achieve our long-term strategy. This is reflected in our Statutory Board remuneration policy. Since 2015, this consists of fixed remuneration only (no variable remuneration) and includes a large proportion in depositary receipts for shares (hereinafter: shares), with a five-year lock-up period, in combination with share ownership guidelines.[2] This creates a strong focus on long-term value creation.

Total remuneration management
We review total remuneration for the Statutory Board periodically, taking into account internal and external perspectives.

When adopting the Statutory Board remuneration package, we consider pay ratios within the company and remuneration policies in place across the wider workforce in our organisation. Moreover, the Remuneration Committee takes note of individual Statutory Board members' views regarding the amount and structure of their own remuneration. For more information about the remuneration package and pay ratios, see "Remuneration of the Statutory Board in 2019" on page 76.

When we assess the remuneration levels of the Statutory Board versus external market levels, we use a well-balanced, focused group of companies based on the guidelines provided by the Dutch Banking Code. Companies are included that reflect our talent market for Statutory Board positions. Our talent market is much broader than that of our direct competitors (evidenced by the previous employers of the current Statutory Board members) and includes both financial services companies and non-financial industry companies, both Dutch and international. For more information on our reference market, see "Remuneration of the Statutory Board in 2019" on page 77.

Performance management
As our remuneration policy for the Statutory Board consists of fixed remuneration only, remuneration levels for all members of the Statutory Board are equal to remuneration levels in 2018. The Supervisory Board assesses and challenges the performance of the Statutory Board based on a set of financial and non-financial key performance indicators (KPIs). These KPIs are strongly aligned with KPIs for the rest of the organisation, and reflect both the interests of our stakeholders and our ambitions as a wealth manager. In assessing the performance of the Statutory Board, great value is attached to their performance as a team. This is the starting point of the performance assessment, given the company's complementary business lines. If the performance of a Statutory Board member is consistently under par, the Supervisory Board may dismiss the responsible Board member.

Stakeholder engagement
We take our stakeholders' views very seriously, and welcome an open dialogue on all aspects of remuneration. In 2018, the Supervisory Board initiated an engagement programme with shareholders, proxy advisers and other stakeholders. The programme was based on feedback received from investors, as well as the Supervisory Board's evaluation of the process prior to the 2018 AGM. The aim was to further understand stakeholders' concerns and issues in relation to our 2018 policy, and to broaden the scope of engagement with shareholders.

In preparation for the 2020 AGM, a delegation from the Remuneration Committee of the Supervisory Board again consulted with a large cross-section of our shareholder base, proxy advisers, the Works Council, various client groups and Dutch political parties. During these meetings, an explanation was given about the revised Shareholder Rights Directive; the Statutory and Supervisory Board remuneration policy; the Supervisory Board's view on rewarding long-term sustainable performance; and the Dutch context, such as the Dutch law on remuneration of financial undertakings, and the Dutch Corporate Governance and Banking Codes.

The dialogue with our stakeholders was very constructive. Gaining their views on executive pay in general, and Van Lanschot Kempen's remuneration policy in particular, was very valuable. The topics discussed and the main feedback given are outlined in the table below.

Topic	Feedback from stakeholders[3]	Explanation by Van Lanschot Kempen
No variable remuneration	The decision by Van Lanschot Kempen to abolish variable remuneration for Statutory Board members in 2015 needs further explanation, especially for investors who adhere to the "pay for performance" principle.	We explained the Dutch regulatory and societal context. A ceiling of 20% for variable remuneration, in combination with the obligation to defer a substantial portion over a period of five years, means that performance on an individual KPI results in a relatively limited payment of variable remuneration to a Statutory Board member. It is therefore expected to have very limited impact on the behaviour of our Statutory Board members. Our 2015 decision has now been met with greater understanding by investors as they see other Dutch financial institutions in this situation. We reiterated our belief in a structure that focuses on long-term sustainable performance, which led to the introduction of fixed remuneration in shares with a five-year lock-up period in combination with the share ownership guidelines.[2]
Performance management	Some stakeholders struggle with the concept of KPIs not having an impact (positively or negatively) on the remuneration of Statutory Board members. The main question was what measures the Supervisory Board can take if targets are not met, or when red flags remain in the performance assessment. Our stakeholders see the KPI disclosure itself as positive and very transparent.	We explained that in assessing the performance of the Statutory Board, great value is attached to their performance as a team. The Supervisory Board evaluates both the performance of the Statutory Board as a whole and that of the individual Statutory Board members, on an annual basis. Performance discussions are held with the individual members. If an individual Statutory Board member underperforms, they are held accountable. If no improvement is realised, the Statutory Board member may be dismissed by the Supervisory Board at any time.
Indexation	The indexation clause that we want to include in our remuneration policy is seen as positive by most stakeholders. They do not favour a large increase in remuneration at one time, but prefer small increases over the years.	Further to the feedback received, we maximised the (discretionary) indexation possibility to the general increase granted to the wider workforce in the organisation. The indexation is also maximised by the derived Consumer Price Index (CPI)[4] applicable over the previous year, but only when it can be justified by the financial performance of Van Lanschot Kempen.
Peer group	The peer group that was used for the market assessment in December 2017 is a concern for certain stakeholders. Questions were raised about the selection criteria of the peer group and why significantly larger companies have been selected.	We explained that the Dutch Banking Code prescribes that the peer group should be composed of comparable positions both inside and outside the financial industry, including the relevant international context. Furthermore, we are convinced that market capitalisation does not drive talent. Our talent market is much broader than that of our direct competitors. The relative size of our company versus our competitors drives the need to attract better people than the competition. Prompted by our business strategy, we are willing to pay for the best people in the market. Typically, this talent comes from companies that are larger than ours. We also increasingly recruit from outside the banking sector. We explained that we want to keep the companies selected from our peer group consistent over the next few years, and that the selection should be seen in conjunction with the fact that the current remuneration package of our Statutory Board members occupies a position far below the median of the peer group. In fact, they are placed around the first quartile. Following feedback from stakeholders, in 2019 we asked Willis Towers Watson (WTW) to update the market assessment for the Statutory Board. No changes were made in the companies selected, but we asked WTW in particular to benchmark one level deeper in the organisation for the larger firms in the peer group, with a focus on positions at a similar job level. This means that our CEO was compared with positions that report to the CEO (CEO-1 level); for the other Statutory Board positions, divisional heads were taken that report to CEO-1 level (i.e. CEO-2). As these positions do not have formal board responsibilities, a standard board premium (in line with market practice) was applied to the base salary levels. Based on this updated analysis, we found that the CEO and CFO are still placed below median market levels (in the 40th percentile for the CEO and 44th percentile for the CFO), while the other Statutory Board members are placed at median market levels. When we change our remuneration policy in the future, we will also review our peer group, taking into account the feedback that we received.
Derogation	The derogation clause we initially proposed led to discussions with various stakeholders regarding the correct interpretation and possible working.	Based on the feedback received, we decided not to include the derogation clause in the remuneration policy.

The Supervisory Board received detailed feedback about each of the engagement meetings, and appreciates that it is important for stakeholders to have a clear understanding of the decisions made around remuneration. We would like to thank all the stakeholders for their valuable input. The feedback was very constructive, and the Supervisory Board will take it into account going forward. Van Lanschot Kempen will continue this broader scope of stakeholder engagement, and will aim to liaise with stakeholders on sensitive matters well before these items are put on the agenda of the AGM.

Looking ahead to 2020

In 2020, the Dutch law implementing the revised Shareholder Rights Directive (SRD II) will be applicable. SRD II requires additional context to be included in the remuneration policies for the Statutory and Supervisory Boards. During the engagement programme, we obtained a clear understanding of the views of our stakeholders on the implementation of SRD II and on Van Lanschot Kempen's remuneration policy ahead of the 2020 AGM.

The remuneration structure for the Statutory and Supervisory Boards will remain unchanged in 2020. To be compliant with SRD II, particular textual additions have been made to explain our approach to remuneration. We believe the additional context does not qualify as a material change to our remuneration policy.

We attach great value to the consent of our shareholders. We will therefore put the remuneration policies for the Statutory and Supervisory Boards to vote at our AGM in 2020. The Works Council has issued a positive recommendation to the Supervisory Board with regard to the proposed remuneration policies. The remuneration report will be submitted to the 2020 AGM for an advisory vote.

's-Hertogenbosch, the Netherlands, 20 February 2020

Remuneration Committee

Bernadette Langius, Chair

2 Statutory Board members must hold Van Lanschot Kempen shares with a value equal to or above the cash portion of two years' gross salary (for as long as they remain in office). They can gradually meet this requirement over the years. If the share price is not performing, the Statutory Board members must keep increasing their holdings.
3 Shareholders, proxy advisers, various client groups, employees and Dutch society (political parties).

4 The Consumer Price Index (CPI), calculated by Statistics Netherlands, measures the average price changes of goods and services purchased by households. The derived CPI excludes the effect of changes in the rates of product-related taxes (e.g. VAT), subsidies and consumption-related taxes.

Remuneration Committee

Key objectives

To advise on the Statutory Board remuneration policy and its execution, and to prepare the Supervisory Board's decision-making.

Responsibilities

The responsibilities of the Remuneration Committee include:

- Providing advice to the Supervisory Board on:
  - the determination of the policy on remuneration of the Statutory Board;
  - the total remuneration packages for the members of the Statutory Board;
  - the remuneration of the members of the Supervisory Board;
- Preparing the annual remuneration report;
- Overseeing remuneration policies and practices, including total variable remuneration paid to Van Lanschot Kempen employees, significant[1] individual variable remuneration, and individual variable remuneration to all identified staff.

The committee held five meetings in 2019.

Composition

Chair
Bernadette Langius

Members
Willy Duron
Maarten Muller
Frans Blom
Jeanine Helthuis

Topic	Feedback from stakeholders[2]	Explanation by Van Lanschot Kempen
Indexation	The indexation clause that we want to include in our remuneration policy is seen as positive by most stakeholders. They do not favour a large increase in remuneration at one time, but prefer small increases over the years.	Further to the feedback received, we maximised the (discretionary) indexation possibility to the general increase granted to the wider workforce in the organisation. The indexation is also maximised by the derived Consumer Price Index (CPI)[4] applicable over the previous year, but only when it can be justified by the financial performance of Van Lanschot Kempen.
Peer group	The peer group that was used for the market assessment in December 2017 is a concern for certain stakeholders. Questions were raised about the selection criteria of the peer group and why significantly larger companies have been selected.	We explained that the Dutch Banking Code prescribes that the peer group should be composed of comparable positions both inside and outside the financial industry, including the relevant international context. Furthermore, we are convinced that market capitalisation does not drive talent. Our talent market is much broader than that of our direct competitors. The relative size of our company versus our competitors drives the need to attract better people than the competition. Prompted by our business strategy, we are willing to pay for the best people in the market. Typically, this talent comes from companies that are larger than ours. We also increasingly recruit from outside the banking sector. We explained that we want to keep the companies selected from our peer group consistent over the next few years, and that the selection should be seen in conjunction with the fact that the current remuneration package of our Statutory Board members occupies a position far below the median of the peer group. In fact, they are placed around the first quartile. Following feedback from stakeholders, in 2019 we asked Willis Towers Watson (WTW) to update the market assessment for the Statutory Board. No changes were made in the companies selected, but we asked WTW in particular to benchmark one level deeper in the organisation for the larger firms in the peer group, with a focus on positions at a similar job level. This means that our CEO was compared with positions that report to the CEO (CEO-1 level); for the other Statutory Board positions, divisional heads were taken that report to CEO-1 level (i.e. CEO-2). As these positions do not have formal board responsibilities, a standard board premium (in line with market practice) was applied to the base salary levels. Based on this updated analysis, we found that the CEO and CFO are still placed below median market levels (in the 40th percentile for the CEO and 44th percentile for the CFO), while the other Statutory Board members are placed at median market levels. When we change our remuneration policy in the future, we will also review our peer group, taking into account the feedback that we received.

Schroders & Severn Trent

The previous example already showed that some companies provide detailed information on the stakeholder engagement process. The example below specifically focuses on engagement with employees on remuneration. This example is included because it might give a look into a future where companies will (have to) disclose information on the remuneration policies and practices which apply to the broader workforce, rather than just top executives.

This is a practice which is more prevalent in the United Kingdom and this example is taken from that context.

Wider workforce engagement

The Committee debates and discusses key areas of remuneration policy and pay outcomes for the wider workforce throughout the year, the annual bonus pool and resulting pay outcomes for employees across the Group, the budget for salary increases, gender and ethnicity pay outcomes, gender pay gap reporting and any changes to the structure of workforce compensation. As far as possible, the remuneration policy for executive Directors is consistent with that applied for other employees, as shown in the tables on pages 82 to 86. The Committee does not set fixed ratios for Directors' pay relative to other employees as it believes this would restrict flexibility in aligning reward and performance appropriately, and to reflect the competitive market rates for each role across the Group. While employees are not expressly consulted on Directors' remuneration, feedback from employees is gathered by management and the Board in a range of ways through the year, including:

Employee forums

Elected employee representatives have regular direct access to senior management to discuss the topics and issues that they and the employees they represent consider are important. The Senior Independent Director chairs meetings of the Global Employee Forum to hear directly from employees on the issues that concern them and report these back as appropriate to the Committee, of which he is a member, and the Board.

Employee opinion survey

The outcomes of the employee opinion survey are reviewed by the GMC and the Board and taken into account when setting remuneration policy if appropriate. Each GMC member creates an action plan designed to proactively respond to employees' feedback and continually improve engagement in their respective functions. The Group Chief Executive ensures that the delivery of those plans is a priority.

Town hall meetings

The Group Chief Executive and other senior management hold town hall meetings regularly. Some focus on the Group's strategic progress and performance, some on particular issues such as diversity and inclusion, and others on issues specific to a particular area of the business or team. The format of these meetings varies. Some are broadcast to employees across the globe via the intranet. Employees are given opportunities to ask questions, anonymously where possible, to help provide insight into areas of concern.

Overview of pay and policy decisions

The Remuneration Committee's remit includes oversight of remuneration strategy and remuneration policies across the Group. The Committee reviews the remuneration outcomes for the wider workforce, and other significant remuneration-related matters. The Committee considers a broad range of reference points when setting policy and pay levels, including external market benchmarks as well as internal reference points.

Building further on this, Severn Trent's remuneration report also provides a number of key activities and indicators related to the broader remuneration context. It looks at development, social responsibility, and fairness of remuneration. In this field, it is remarkable that it has a chapter on social purpose in its remuneration report.

As the European Commission, in its Directive (EU) 2017/828 also asks to *'explain how the pay and employment conditions of employees of the company were taken into account when establishing the remuneration policy'* it might be the case that more and more firms will also provide information on the remuneration practices and policies applicable deeper in the organisation.

Our Social Purpose

We are proud to be recognised as the first socially purposeful Company in the utility sector. Read more in our Social Purpose Chapter on page 6. Our employees tell us we are doing well on diversity and inclusion through great scores in our employee engagement survey but we know there are further opportunities to reflect the demographics of our region.

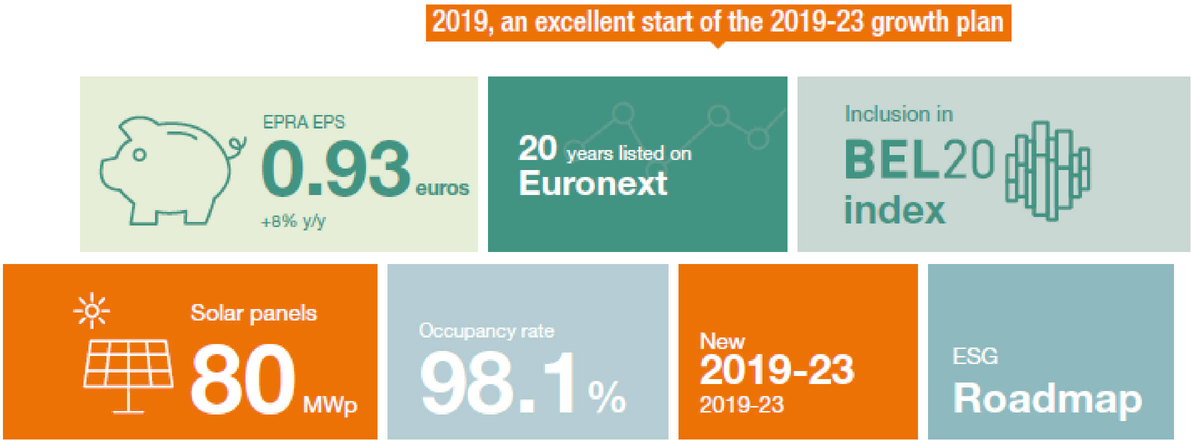
As a result, we remain strongly committed to the long-term sustained development of our employees and communities through our evolving diversity and inclusion policies.

The diagram below summarises some of our activities and accomplishments in this area:

WDP

WDP uses an original approach to provide relevant information about the general performance of the company, as asked for by the Guidelines. On top of that, it also provides information on some main realisations (e.g., 20 years listing, inclusion in Bel 20 index).

This is a brief overview of the most relevant figures and realisations.



Vopak & Schroders

Building further on the topic of including information on key events, performance, business environment, etc., which is asked for by the Guidelines, Vopak provides an interesting example. It starts with providing information on the financial results, but this is supplemented by more strategic information, such as divestments, acquisitions, distribution capacity, investments, and its digital transformation.

That way, the reader of the remuneration report gets a balanced view on the performance and activities of the company, which helps to put the remuneration decisions into perspective.

Key highlights

2019 performance

For the evaluation of the Executive Board remuneration, the Supervisory Board takes into account the following considerations with regard to the short-term company performance results and delivery on the strategic direction in 2019:

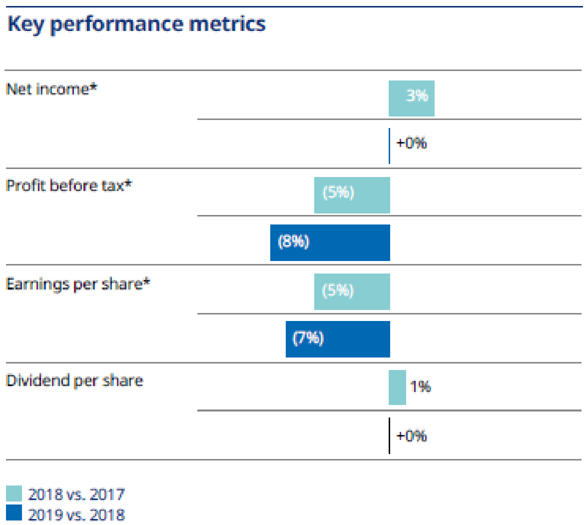
- 2019 was a successful financial year for Vopak. Full year EBIT -excluding exceptional items- increased by 16%, and a strong EBITDA was realized. As a result, Vopak significantly increased its earnings per share.
- As part of the execution of Vopak's longer-term strategic portfolio transformation, the divestment of 4 non-strategic oil terminals was completed in 2019. These divestments led to a significant cash inflow of EUR 550 million.
- A multi-year program of EUR 1 billion investments in new growth projects was committed earlier to further realize its strategic portfolio transformation. In 2019, the following growth projects were realized:
  - Vopak's LNG business expanded by further acquisitions in Pakistan and Colombia. Additionally, the construction of new industrial terminals in China and the US commenced.
  - Oil distribution capacity in future growth markets was expanded.
  - As part of Vopak's new energies focus, the first investments in hydrogen and solar were made.

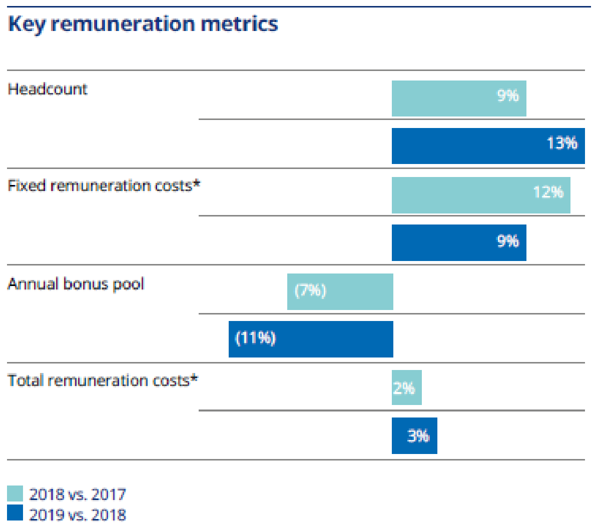
  Overall, at the start of 2020, Vopak's portfolio is well-positioned to be sustainable for future developments.
- Growing Vopak's digital capabilities and use of data are key to both Vopak's short-term performance and long-term value creation, as well as Vopak's position as the leading independent tank storage company. Delivery of Vopak digital strategy progressed well during 2020. As part of Vopak's broader efforts to develop the digital architecture and bring the operational and IT systems closer together, the roll-out of Vopak's new cloud-based system for the terminals progressed well.

The Supervisory Board concludes that the Executive Board has delivered on the promise of short- and long-term value creation for Vopak's stakeholders during 2019, and that as a result the 2019 objectives for the delivery on Strategic Direction have been met.

Schroders adds a dimension by putting key performance metrics and key remuneration metrics next to each other. More specifically, information is provided on the 2-year evolution in financial performance and this is compared with the evolution in headcount, fixed remuneration and bonus pools. It directly pops up that, while profit before tax has gone down, total remuneration costs have increased by 3%. But going a step further, it can also be seen that while profit has decreased by 8%, the bonus pool decreased by 11%. It is clear that this provides shareholders with a good view on the extent to which pay and performance are linked.

However, one remark that can be formulated here is that the company takes a rather narrow perspective on key performance metrics by only focusing on profitability and dividends while the European Commission's Guidelines also ask for information about sustainability.



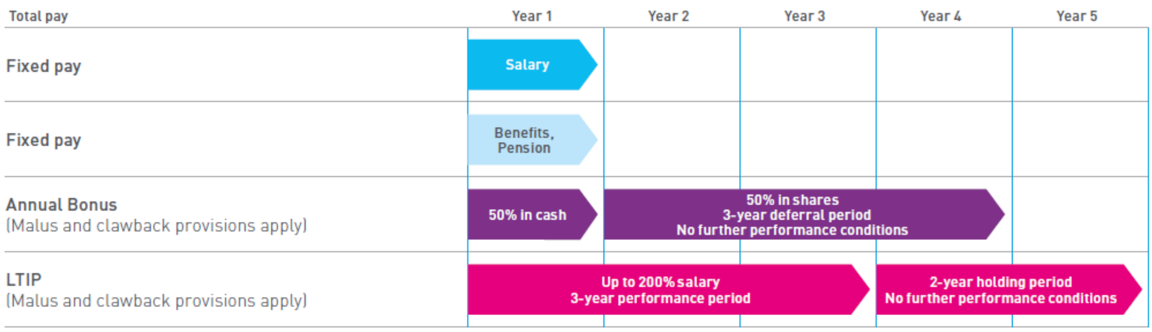


* Before exceptional items.

Severn Trent, AXA & Shell

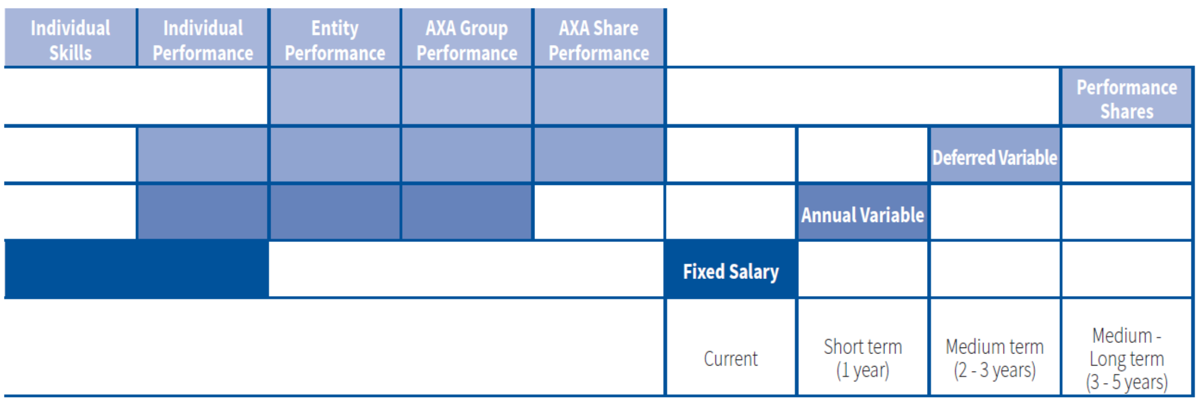
The Guidelines also stipulate that the introduction can provide a summary of the application of the remuneration policy. We provide 3 examples dealing with how companies give a general overview on the remuneration policy appliable to the reported financial year.

Severn Trent provides an interesting example including an overview of the different remuneration instruments and their time horizon. For the short-term incentive plan, information is provided on the timing of the payout. For long-term incentives, information is disclosed on vesting as well as holding periods.



AXA, in turn, provides a picture including 3 dimensions, being remuneration instruments, time horizon, and performance dimensions included. Interestingly, a distinction is made between the short-, medium- and long-term.

In any case, it provides the reader with an overview on the performance dimensions and how they are translated into the different remuneration instruments and over which timeframe.



Shell provides another interesting example with regard to the application of the remuneration policy. It provides an encompassing overview at the beginning of the remuneration report, including information on base pay, benefits, shareholding requirements, bonus payout, scorecard outcomes, and information on vesting outcomes of long-term incentives (i.e., plans that vested in the reported year). That way, it provides the reader with a sort of an executive remuneration scorecard.

REMUNERATION AT A GLANCE

2019

FIXED PAY AND SHAREHOLDING

Base salary

€1,557,000 Ben van Beurden (CEO)

€1,015,000 Jessica Uhl (CFO)

Pension

Executive directors participate in the same home country pension arrangements as other employees

Benefits

Typically include car allowance, transport between home and office, and medical insurance

Shareholding

Target levels, % of base salary at 31 December 2019

700% CEO

400% CFO

Actual levels, % of base salary at 31 December 2019

1,136% CEO

265% CFO

ANNUAL BONUS

2019 annual bonus

€800,000 CEO (73% reduction from 2018)

€500,000 CFO (68% reduction from 2018)

2019 bonus scorecard outcome

Mathematical outcome

0.48

Given safety outcomes in 2019, including seven fatalities, this was reduced to:

0.43

No individual performance factor used in bonus calculation

Bonus Delivery

50% delivered in cash

50% delivered in shares

Shares are subject to a 3-year holding period which extends beyond an Executive Directors' tenure

LONG TERM INCENTIVE PLAN

2017 – 2019 LTIP vesting outcome

€7,191,223 CEO (53% reduction from 2018)

$4,357,430 CFO (115% increase from 2018)

Vesting outcome

Measures	Outcome	Vesting
TSR	1 **2** 3 4 5	38%
CFFO	1 2 **3** 4 5	20%
ROACE growth	**1** 2 3 4 5	50%
FCF		39%
		147% (out of a 200% maximum)

Shares are subject to a 3-year holding period which extends beyond an Executive Directors' tenure

Total remuneration

Stipulations by the European Commission's Guidelines

1. Pursuant to points (a) and (c) of paragraph 1 of Article 9b of the Directive, the Report shall contain each individual director's total remuneration split out by component and including any remuneration from any undertaking belonging to the same group as defined in point (11) of Article 2 of Directive 2013/34/EU. Furthermore, pursuant to point (a) of paragraph 1 of Article 9b of the Directive, the Report shall present the relative proportion of fixed and variable remuneration. The aforementioned information should be presented in the format shown in Table 1, adding, where appropriate, horizontal rows specifying the name of the companies or undertakings belonging to the same group, and the remuneration coming from each of them.

2. This section of the Report should include information on the directors' total remuneration, specifying whether each director is executive or non-executive and their exact position/s. Table 1 should be split into two parts, horizontally, with the executive directors listed in the first part and the non-executive directors in the second part, as many of the individual components of the remuneration may not apply to the latter. The purpose of this section of the Report is to show directors' actual total remuneration during the reported financial year and has been designed so as to avoid double counting or duplication of the same components of remuneration in different financial years' total remuneration tables, particularly with regard to variable remuneration.

This type of possible duplication is most likely to occur in relation to annual bonuses and share-based pay, and the relevant sections of explanatory notes to Table 1 explain what should and should not be be reported in the total remuneration table in order to avoid that.

3. In addition to the directors who have performed their mandate during all or part of the reported financial year, this section of the Report should also provide information regarding former directors' remuneration awarded or due to them during the reported financial year for their performed services as directors.

4. In order to facilitate comparability with the evolution of the company and its performance, Table 1 may also present in a row the total remuneration regarding each director included in the previous financial year Report.

Table 1 – Total remuneration of Directors

Name of Director, Position (start/end)	1 Fixed remuneration			2 Variable remuneration		3 Extraordinary items	4 Pension expense	5 Total Remuneration	6 Proportion of fixed and variable remuneration
	Base salary	Fees	Other benefits	One-year variable	Multi-year variable				
XXX	Reported financial year								
	(Year-1)								
YYY									
ZZZ									

The Guidelines provide further explanatory notes on what is meant by each of the different remuneration instruments and which numbers should be disclosed. We refer the reader to the Guidelines for detailed information, and we limit ourselves to the most important elements that need clarification:

- **Directors**: the total remuneration table should include information both on the remuneration of the executive and the non-executive directors, for the reported financial year and the preceding year. Also, their position should be mentioned.
- **'Other benefits'** versus **'Extraordinary items'**: while the other benefits include recurring benefits such as medical insurance, company car, and others, the extraordinary items are non-recurring and might include sign-on fees, retention bonuses, termination payments, etc.
- **Multi-year variable**: this column deals with long-term incentives, in whatever form (e.g., phantom stock, restricted shares, performance shares, stock options, etc.). More concretely, the amounts should be disclosed which were paid during the year (in case of cash payout), and/or the amounts related to the fulfilment of performance criteria over multiple years that vested during the reported financial year. In practice, this means that for performance shares, the value should be disclosed of the shares that vested during the reported year. In practice, however, we see that a lot of companies include IFRS spending here, which is not in line with the stipulations of the Guidelines. Importantly, the Guidelines make a connection between different tables, being that the value reported for long-term incentives in table 1, should be the same as the value of the vested components of the remuneration reported in tables 2 and 3.
- **Pension expense**: as far as executive pensions are concerned, the Guidelines ask for disclosure on the amounts paid to finance the future pensions of executives. It is also asked for to include a note with the main characteristics of the plan(s) and the nature of the pension arrangement (being defined contribution or defined benefits).
- **Proportion of fixed and variable remuneration**: here, it is remarkable that the Commission asks to disclose both the proportion of fixed and variable remuneration, as their sum should equal 100. In our opinion, having to disclose both ratios might lead to confusion. Interestingly, the Guidelines asks to separately disclose the relative proportion of short- and long-term incentives in case the criteria related to performance over the longer-term relate to 5 years or more.

Business practice and application

ASM International, Ahold Delhaize & Randstad

The table on total remuneration provided by ASM International is well aligned with the Guidelines, for a number of reasons:

- All directors are included in the table, with a mention of their position.
- Figures are included for the reported year as well as the previous year.
- A number of notes are included, providing further information on incentives, pensions, etc.

However, there are also some elements that do not fully align with the Guidelines:

- Terminology: while the Guidelines put forward 'other benefits', 'one-year variable' and 'multi-year variable', ASM International uses 'fringe benefits', 'short-term cash incentive' and 'share-based payments'.
- The amounts included under 'share-based payments' include the accounting expense rather than the value of the vested shares.
- In column 6, the company only provides one percentage, while the guidelines ask to disclose both the proportion of fixed and variable remuneration. Moreover, it is not clear how the numbers are being calculated. The variable part of remuneration for the CEO over 2019 adds up to 1.908 (1.053+855), which equals 68% of total remuneration, while 47% is reported.

TOTAL REMUNERATION OF MANAGEMENT BOARD AND SUPERVISORY BOARD

Table 1 provides an overview of the 2019 remuneration elements in thousands of Euro of both CEO and CFO, as well as all members of the Supervisory Board.

		1			2		3	4	5	6
		Fixed Remuneration (K€)			Variable remuneration (K€)					
Name of Director, Position	Years	Base Salary	Fees	Fringe Benefits	Short-term cash incentive (STI)	Share-based payment expenses)***	Extraordinary items	Pension expense (K€)	Total Remuneration (K€)	Proportion of fixed and variable remuneration
C.D. del Prado, CEO	**2019**	702		77	1.053	855		123	2.810	47%
	2018	669		78	511	883		119	2.260	62%
P.A.M. van Bommel, CFO	**2019**	441		40	551	413		91	1.536	59%
	2018	426		37	257	437		89	1.246	80%
J.C. Lobbezo, Chairman Supervisory Board, member Audit Committee (AC) and Nomination, Selection and Remuneration Committee (NSR)	**2019**		84						84	
	2018		79						79	
M.J. C. de Jong, member Supervisory Board and AC	**2019**		58						58	
	2018)*		34						34	
S. Kahle-Galonske, member Supervisory Board and Chairman AC	**2019**		60						60	
	2018		56						56	
M.C.J. van Pernis, member Supervisory Board and Chairman NSR	**2019**		59						59	
	2018		56						56	
U.H.R. Schumacher, member Supervisory Board and NSR	**2019**		56						56	
	2018		54						54	
H.W. Kreutzer, member of Supervisory Board and AC	**2019**		0						0	
	2018)**		21						21	

)* Period as of May 28, 2018
)** Period January 1 to May 28, 2018
)*** These amounts represent the vesting expenses (1/3) related to the financial year

1. **Fixed remuneration**
   Base Salary fixed annual gross base salary
   Fees paid due to participation in the supervisory board
   Fringe Benefits value of benefits and perquisites awarded, such as company car, social security, representation & expense allowance and health & disability insurance
2. **Variable remuneration**
   Short-term cash incentive (STI). Each year, a short-term incentive can be earned, based on achieving specific challenging targets. The short-term incentive recognizes three levels: threshold, on target and stretch. Threshold levels are set at 70% of the on-target level, while stretch targets are set at 140% of the on-target level. If the actual realization is between threshold and on target or between on-target and stretch, payout will be based upon the relative deviation against these levels. The targets are for 75% based on company financial targets (equally divided between sales, EBIT and free cash flow) and for 25% based on non-financial targets. The on-target bonus percentage for the CEO is 100% of base salary, with a maximum payout of 150% of base salary. For 2019, all targets are realized at stretch level, leading to a total payout of €1,053,000. The on-target bonus percentage for the CFO is 75% of base salary, with a maximum payout of 125% of base salary. For 2019, all targets are realized at stretch, leading to a total payout of €551,000.
   Share-based payment. This is a multi-year variable payment of which the value is the value of a performance share award that has become unconditional after a performance period of three years. The unconditional award is the result of targets on sales growth compared to market and average EBIT.
3. **Extraordinary items**
   Non-recurring remuneration, e.g. sign-on fee, retention bonus, redundancy payment, compensation for relocation and indemnity for non-competition or severance payment
4. **Pension expense**
   Fixed pension contributions and variable upon performance. As of 2015, the members of the Management Board no longer participate in the industry wide pension fund. They opt to participate in a defined contribution plan for their salary up to €107,593. The Company reimburses an amount, equal to the employer pension contribution for their salary above €107,593. The CEO and CFO opt either to participate in a net pension plan offered by the Company or to have the cost for participating paid out directly. The pension contributions vary from 7.2% to 28.4% of the pensionable salary depending on age. The members of the Management Board contribute 4.6% of the pensionable salary and ASMI pays the remaining part. There are no arrangements regarding early retirement.
5. **Total remuneration**
   Value equal sum of 1, 2, 3 and 4
6. **Proportion of fixed and variable remuneration**
   Relative proportion of fixed remuneration
   The sum of fixed components: column 1 and the fixed part of pension expense presented in column 4 by the amount of total remuneration (column 5), multiplied by 100%
   Relative proportion of variable remuneration
   The sum of the variable components (column 2, 3 and the variable part of the pension expense in column 4, if any) by the amount of total remuneration, multiplied by 100%

Another interesting example is provided by Ahold Delhaize. First of all, this company discloses both the proportion of fixed and variable remuneration. Secondly, it provides more detailed information on the calculation basis used for the long-term incentives, by stating that it uses fair value and by making explicit that fair value is *'determined on the grant date and expensed on a straight-line basis over the vesting period. The expense for 2019 reflects this year's portion of the share grants over the previous four years (plans 2016 to 2019).'*

Total remuneration in 2019 and 2018 per Management Board member

	Base salary		Annual cash incentive plan: EIP[1]		Other[2]		Long-term equity-based program: GRO[3]		Pension[4]		Total remuneration		Fixed vs. variable remuneration[5]	
€ thousand	**2019**	2018	**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	**27%-73%**	23%-77%
Entitlement[8]							**1,592**	3,284			**3,977**	5,949	**30%-70%**	19%-81%
Jeff Carr[6]														
Costs (IFRS)	**769**	747	**685**	830	**244**	268	**1,732**	976	**33**	36	**3,463**	2,857	**24%-76%**	29%-71%
Entitlement[8]							**992**	1,123			**2,723**	3,004	**31%-69%**	28%-72%
Kevin Holt														
Costs (IFRS)	**955**	856	**851**	972	**429**	363	**1,270**	1,211	**209**	196	**3,714**	3,598	**31%-69%**	28%-72%
Entitlement[8]							**1,337**	1,274			**3,781**	3,661	**30%-70%**	28%-72%
Wouter Kolk[7]														
Costs (IFRS)	**649**	457	**578**	508	**168**	119	**400**	215	**32**	24	**1,827**	1,323	**40%-60%**	39%-61%
Entitlement[8]							**581**	793			**2,008**	1,901	**36%-64%**	26%-74%

1 The 2019 EIP represents accrued annual cash incentives to be paid in 2020 and subject to shareholder approval of the financial statements. The individual 2018 EIP amounts also include the component linked to individual performance.
2 "Other" mainly includes gross allowances for net pension, tax compensation (tax equalization charges or refunds for expatriates), allowances for housing expenses, relocation costs, international school fees, employer's contributions to social security plans, benefits in kind such as company cars, tax advice, medical expenses and the associated tax gross up.
3 The fair value of each year's grant is determined on the grant date and expensed on a straight-line basis over the vesting period. The expense for 2019 reflects this year's portion of the share grants over the previous four years (plans 2016 to 2019).
4 Pension costs are the total net periodic pension costs of the applicable pension plans.
5 Fixed pay comprises the base salary. Variable pay comprises the annual cash incentive plan and the long-term equity-based program.
6 Jeff Carr's employment relationship with Ahold Delhaize will terminate as of April 9, 2020, without any severance payment due. Shares awarded under the GRO plan will vest at the regular vesting dates. An estimate of these costs in the amount of €921 thousand was recognized in 2019.
7 Wouter Kolk was appointed as member of the Management Board effective April 11, 2018. His 2018 remuneration reported as member of the Management Board reflects a partial year.
8 The 2019 entitlement value for the long-term equity-based program is the estimated value based on the closing share price as of December 29, 2019, of €22.75 and as presented in the table *2017 GRO share grant (to vest in 2020)*. The actual value will be determined at vesting on April 9, 2020. The 2018 entitlement value for the long-term equity-based program is the value of the 2016 grant which vested in 2019.

Some companies even go a step further by explicitly mentioning that they use the IFRS approach, which does not reflect the value at vesting date. For example Philips: *'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.'*

One of the few examples which are in line with the Guidelines related to the reporting on the value of the long-term incentives in the overview table, is provided by Randstad. Its total remuneration table can be found below.

remuneration of executive board members

x € 1,000	year	fixed remuneration: base salary	fixed remuneration: fringe benefits	variable remuneration: short-term bonus	variable remuneration: long-term award	social charges and taxes	pension expenses	total remuneration
J.W. van den Broek	2019	1,000	4	733	1,476	11	270	3,494
	2018	1,000	27	370	249	11	270	1,927
H.R. Schirmer	2019	747	10	547	173	11	202	1,690
	2018	544	19	201	-	8	147	919
R.J. van de Kraats	2019	-	-	-	-	-	-	-
	2018	187	6	131	-	3	51	378
F. Béharel	2019	678	27	497	940	410	183	2,735
	2018	659	28	244	155	779	178	2,043
K. Fichuk	2019	516	14	378	-	28	139	1,075
	2018	-	-	-	-	-	-	-
L. Galipeau	2019	218	7	-	-	10	51	286
	2018	709	18	262	155	47	192	1,383
R. Henderson	2019	516	14	378	312	25	139	1,384
	2018	-	-	-	-	-	-	-
C. Heutink	2019	678	20	497	940	11	183	2,329
	2018	659	19	244	155	11	178	1,266
Total	**2019**	**4,353**	**96**	**3,030**	**3,841**	**506**	**1,167**	**12,993**
	2018	3,758	117	1,452	714	859	1,016	7,916

Randstad mentions in the notes how the value of the long-term incentives was calculated, and this is in line with the Guidelines’ stipulations.

As a side comment, it should be mentioned that the proportion of fixed and variable remuneration is reported in a separate table in the case of Randstad.

> The long-term award relates to the various performance share plans that vested during the year. The reward is calculated based on the numbers of shares that have vested and the stock price at the date of vesting. The awards of Rebecca Henderson that vested during 2019 relate to the 2017 performance share plan, at which time she was part of senior management.

Avantium

This company provides an example of how to report on termination payments. This company has dismissed its CEO and the amount paid on the occasion of the termination is mentioned under extraordinary items.

The company also provides more information in a note.

	Fixed remuneration		Variable						
(In Euro x 1,000)	Salary	Other benefits*	Short-term bonus **	Long-term award***	Severance payments	Post-employee benefits	Total Remuneration	% of fixed remuneration	% of variable remuneration
Management Board									
Tom van Aken									
2019	261	27	119	8	-	17	432	71%	29%
2018	261	27	-	-	-	18	306	100%	0%
Frank Roerink									
2019	235	32	92	6	235	17	616	46%	54%
2018	235	27	-	-	-	17	280	100%	0%
Total - 2019	496	59	210	14	235	34	1,048	79%	21%
Total - 2018	496	55	0	0	0	35	586	100%	0%

*Other benefits mainly include contributions to social security plans, benefits in kind such as company cars, medical expenses and legal expenses.
**Short-bonus include the cash and non-cash part of the awarded bonus for the specific performance year.
***Long-term award includes the value of the various performance share-based plans that vested during the year. The value of the LTIP reward is calculated based on the number of matching shares that have vested and of the share price at the date of vesting. The value of the ESOP reward is calculated based on the number share options that have vested during the year and the net of the share price at vesting date less the exercise price.

Frank Roerink resigned as member of the Management Board effective 31 December 2019. In connection with his resignation Frank Roerink will be paid a severance payment of €235,000 in 2020, which amount is in line with the Dutch Corporate Governance Code; not exceeding one year's (gross) salary. Frank Roerink remained eligible for variable remuneration over the financial year 2019. He will receive his variable remuneration over 2019 (including the LTIP component) fully in cash in January 2020. The awards under the LTIP serve as a long-term investment in the company and aim to align the respective interests with those of the other shareholders. Now that Frank Roerink has stepped down and left the company, this is no longer applicable to him. Reference is also made to the 'Deviations of Remuneration Policy' section of this Remuneration Report on page 66.

Share-based remuneration

Stipulations by the European Commission's Guidelines

1. In line with point (d), paragraph 1 of Article 9b of the Directive, where applicable, the Report shall contain information on the number of shares and share options granted or offered to directors, and the main conditions for the exercise of the rights including the exercise price and date and any change thereof. This is relevant information in assessing whether these awards are linked to long-term financial performance of the company, how the share-based remuneration is set-up and awarded and how it complies with the published remuneration policy. Companies should present the information relating to share-based remuneration following the example of format of Tables 2 and 3, without prejudice of what should be presented in Table 1 on the total remuneration.

2. This section should include information about all share-based remuneration granted or offered or in other way relevant for the last financial year as detailed in Tables 2 and 3 and their explanatory notes.

3. Besides the directors who have performed their mandate during the reported financial year, Tables 2 and 3 should provide information of former directors as well.

4. Share related instruments other than shares or share options such as stock appreciation rights and warrants should also be disclosed in this section.

5. With regard to information on the value of share-based remuneration, this is an information that is necessary to complete the Report in order to be able to establish the proportion between fixed and variable remuneration as required by the Directive14, when share-based remuneration is one of the components of the directors' remuneration. Furthermore, this information will also help the reader understand the actual amount of remuneration and the difference between the value of these remuneration components at relevant times of the remuneration process.

For the sake of comparability, it is recommended that companies use a common method for the valuation of shares or share options (and in all situations, i.e. whether the shares or share options have been granted, offered or have vested). Although there is no consensus in the current practice as to whether the fair value (determined according to IFRS 2 methodology for accounting) or the market value is the most suitable to use, in the interest of transparency companies are advised to reflect in the Report the market value of shares, or underlying shares in the case of share options, at the time they are granted, are offered, or vest, as applicable. Any changes made to the valuation methodology should be mentioned.

According to the Directive, the Report should also contain and make reference to the main conditions for the exercise of the rights of the shares and share options granted or offered, including the exercise price and date and any change thereof.

Tables 2 and 3 include the key elements and events throughout the reported financial year regarding the share-based remuneration plans. The terms and features of the share option plans that are not presented in the table should be included in a note to the relevant row or through a cross-reference to their description in the remuneration policy.

Table 2 – Remuneration in share options													
Name of Director, position	The main conditions of share option plans							Information regarding the reported financial year					
								Opening balance	During the year		Closing balance		
	1 Specification of plan	2 Performance period	3 Award date	4 Vesting Date	5 End of retention period	6 Exercise period	7 Exercise price of the share and date	8 Share options held at the beginning of the year	9 Share options awarded	10 Share options vested	11 Share options subject to a performance condition	12 Share options awarded and unvested	13 Share options subject to a retention period
XXX	Plan 1												
	Plan 2												
	Plan 3												
								TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL

Table 3 - Remuneration in shares											
Name of Director, position	The main conditions of share award plans					Information regarding the reported financial year					
						Opening balance	During the year		Closing balance		
	1 Specification of plan	2 Performance period	3 Award date	4 Vesting Date	5 End of retention period	6 Shares held at the beginning of the year	7 Shares awarded	8 Shares vested	9 Shares subject to a performance condition	10 Shares awarded and unvested at year end	11 Shares subject to a retention period
NN	Plan 1										
	Plan 2										
	Plan 3										
						TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL

From the introductory text in the Guidelines as well as from the tables, it is not clear whether just numbers or also the value of the share-based remuneration needs to be disclosed. However, this becomes clear in the explanatory notes. There it is mentioned that for each plan, both the number and the value of the underlying shares at grant date, should be disclosed. The same holds for vested shares or options.

Business practice and application

ASM International

ASM International provides a good example of the use of the tables on share-based remuneration provided by the Guidelines. At present, the company grants performance shares, but it also has a number of stock option plans from the past that have not yet vested. Also on these, information needs to be disclosed. The company provides information in tables, but it also mentions the main characteristics of the different share plans in a narrative (which we also include, each time below the tables).

The first table deals with share options, and the second with performance shares[2]. Each time, the main conditions of the plans are disclosed, followed by specific information on the reported year. For example, it can be seen that in 2019, 45.293 share options have vested for the CEO, with an exercise price of 34,06€.

Table 2 below shows the outstanding options to purchase ASMI common shares held by the CEO and CFO and changes in such holdings during 2019.

	The main conditions of share option plans							Information regarding 2019						
								Opening balance	During the year		Closing balance			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Name of Director, Position	Specification of plan	Performance period	Award Date	Vesting Date	End of holding period	Exercise period	Share price of the share	Share options awarded at the beginning of the year	Share options awarded	Share options vested	Share options subject to a performance condition	Share options excercised in 2019	Share options awarded and unvested	Share options subject to a holding period
C.D. del Prado, CEO	ASMI NV 2011 Stock Option Plan Management Board	3 years	31-12-12	31-12-15	31-12-19	4 years	21,05	77.062	0	0	0	(77.062)	0	0
		3 years	31-12-13	31-12-16	31-12-20	4 years	21,79	81.680	0	0	0	0	0	0
		3 years	24-04-15	24-04-18	24-04-22	4 years	40,62	30.548	0	0	0	0	0	0
		3 years	22-04-16	22-04-19	22-04-23	4 years	34,06	45.293	0	45.293	0	0	0	0
		3 years	21-04-17	21-04-20	21-04-24	4 years	47,33	18.249	0	0	0	0	18.249	0
								252.832	**0**	**45.293**	**0**	**(77.062)**	**18.249**	**0**
P.A.M. van Bommel, CFO	ASMI NV 2011 Stock Option Plan Management Board	3 years	31-12-12	31-12-15	31-12-19	4 years	21,05	51.375	0	0	0	(51.375)	0	0
		3 years	31-12-13	31-12-16	31-12-20	4 years	21,79	57.721	0	0	0	(57.721)	0	0
		3 years	24-04-15	24-04-18	24-04-22	4 years	40,62	15.910	0	0	0	0	0	0
		3 years	22-04-16	22-04-19	22-04-23	4 years	34,06	22.833	0	22.833	0	0	0	0
		3 years	21-04-17	21-04-20	21-04-24	4 years	47,33	8.937	0	0	0	0	8.937	0
								156.776	**0**	**22.833**	**0**	**(109.096)**	**8.937**	**0**

STOCK OPTIONS

- Options will be unconditional. 100% of the options which have been granted will become exercisable after three years;
- the options have a term of seven years;
- the exercise price will be equal to the average closing price on Euronext of ASMI shares during the five trading days preceding the granting of the option and including the date of granting; and
- ASMI uses a fair-value approach to calculate the number of options granted.

The CEO exercised 77,062 options on October 31, 2019 at a share price of €91.68
The CFO exercised 109,096 options on October 31, 2019 at a share price of €92.74

The total number of exercised options by the Management Board in 2019 to purchase ASMI common shares is 186,158 and an equal number of treasury shares sold for the exercise of these options.

[2] ASM International seems to have made a small mistake because in the second table in column 6, 'share options awarded at the beginning of the year' is mentioned, while this table does not refer to share options.

The table below provides information on performance shares. For the reported year, 15.582 performance shares were awarded to the CEO, with a 3-year performance period. The table also learns that the share price at grant date was 57,84€ and the narrative learns that vesting will depend on sales growth and EBIT[3]. The table also learns that 7.752 shares have vested, related to the 2016 grant. In this case, 12.056 shares were awarded, but just 7.752 vested, which is related to the degree of fulfilment of the performance conditions.

We want to add here that, following the Guidelines, the amount that should be disclosed in the total remuneration table (table 1) related to the performance shares, is 7.752 (vested shares) * share price on 22-04-19.

Table 3 below shows the outstanding performance shares granted to the CEO and CFO and held per December 31, 2019.

	The main conditions of share award plans						Information regarding 2019						
							Opening balance	During the year			Closing balance		
	1	2	3		4	5	6	7	8	9	10	11	12
Name of Director, Position	Specification of plan	Perfor-mance period	Award Date	Fair value at Award Date	Vesting Date	End of holding period	Share options awarded at the beginning of the year	Shares awarded	Performance adjustment	Shares vested	Shares subject to a performance condition	Shares awarded and unvested at year end	Shares subject to a holding period
C.D. del Prado, CEO	ASMI NV 2014 Long Term Incentive Plan Management Board	3 years	22-04-16	31,84	22-04-19	22-04-21	12.056	0	(4.304)	(7.752)	0	0	0
		3 years	21-04-17	47,52	21-04-20	21-04-22	12.730	0		0	12.730	12.730	12.730
		3 years	20-04-18	45,71	20-04-21	20-04-23	18.843	0		0	18.843	18.843	18.843
		3 years	25-04-19	57,84	25-04-22	25-04-24	0	15.582		0	15.582	15.582	15.582
							43.629	**15.582**	**(4.304)**	**(7.752)**	**47.155**	**47.155**	**47.155**
P.A.M. van Bommel, CFO	ASMI NV 2014 Long Term Incentive Plan Management Board	3 years	22-04-16	31,84	22-04-19	22-04-21	6.078	0	(2.170)	(3.908)	0	0	0
		3 years	21-04-17	47,52	21-04-20	21-04-22	6.234	0		0	6.234	6.234	6.234
		3 years	20-04-18	45,71	20-04-21	20-04-23	9.008	0		0	9.008	9.008	9.008
		3 years	25-04-19	57,84	25-04-22	25-04-24	0	7.343		0	7.343	7.343	7.343
							21.320	**7.343**	**(2.170)**	**(3.908)**	**22.585**	**22.585**	**22.585**

PERFORMANCE SHARES

The number of performance shares granted for on target performance will be determined after the performance year by the Supervisory Board and relates to a sales growth compared to market and average EBIT percentage measured over a three-year performance period. ASMI applies a fair value approach in order to define the number of shares to be granted. The award date is immediately following the date of announcement of the first quarter financial results in April for the year in which the award takes place.

The target level of the LTI is set at 133% of base salary for the CEO and at 100% for the other MB members. The maximum number of shares that will be granted in case of outperformance of the predetermined performance indicators is 150% of the number on target performance. The number of shares granted will be zero in case none of the targets is met.

In order to show commitment to ASMI and align with shareholder interest, the CEO and CFO are required to hold the vested performance shares for two years ('Holding Period') after the vesting date.

[3] More information on the KPIs needs to be included in part 5, Information on how the remuneration complies with the remuneration policy and how performance criteria were applied'.

SBM Offshore

In order to be as complete as possible, also an example is provided of a company granting (restricted) shares.

SBM Offshore has granted 108.320 shares, which vest directly, but which have to be retained for 5 years.

The main conditions of share award plans					Information regarding the reported financial year				
					Opening balance[1]	During the year		Closing balance[2]	
Specification of plan	Performance period[3]	Grant date	Vesting date(s)	End of retention period	Shares held at the beginning of the year	Shares granted (# / EUR x 1,000)	Shares vested (# / EUR x 1,000)	Shares subject to a performance condition[4]	Shares subject to a retention period
Bruno Chabas, CEO									
2014 LTI	2014-2016	06-02-2014	06-04-2017	06-04-2019	168,435	0 / 0	0 / 0	-	-
2015 LTI	2015-2017	27-03-2015	11-04-2018	11-04-2020	108,724	0 / 0	0 / 0	-	108,724
2016 LTI	2016-2018	10-03-2016	09-04-2019	09-04-2021	169,356	0 / 0	163,632/ 2,795	-	108,279
2017 LTI	2017-2019	09-02-2017	08-04-2020	08-04-2022	161,634	0 / 0	0 / 0	161,634	-
Value Creation Stake 2018	N/A	01-01-2018	01-01-2018	01-01-2023	77,402	0 / 0	0 / 0	-	77,402
Value Creation Stake 2019	N/A	01-01-2019	01-01-2019	01-01-2024	-	108,320/ 1,372	108,320/ 1,372	-	74,043

1 Opening balance consists of both shares held and unvested grants for conditional plans at assumed maximum target.
2 Closing balance consists of the full grant and vesting of the relevant plan, including any sell-to-cover performed to compensate a wage tax impact.
3 Performance period always refers to a full year
4 All the shares subject to a performance condition are granted and unvested at year-end.

In the case of SBM Offshore, the value of the shares awarded, being 1.372.000€, is also reported in the total remuneration table as asked for by the Guidelines.

Another interesting element here is that both the CFO and the COO were granted restricted stock units upon joining the company, which is reported under ‘extraordinary items’.

in thousands of EUR		Fixed remuneration		Variable remuneration							
Name of Director, Position	Year	Base salary	Other benefits	STI[1]	STI Matchin g Shares	LTI	Value Creation Stake[2]	Extra-ordinary Items[3]	Pension expense	Total remuneration	Proportion of fixed and variable remuneration
Bruno Chabas, CEO	2019	800	165	916	-	2,795	1,372	-	245	6,293	19% / 81%
	2018	800	165	1,165	481	1,673	1,508	-	245	6,037	20% / 80%
Philippe Barril, COO	2019	634	147	544	-	1,414	1,134	-	158	4,030	23% / 77%
	2018	551	146	601	-	929	1,038	696	138	4,100	20% / 80%
Erik Lagendijk, CGCO	2019	450	39	386	-	1,414	772	-	113	3,174	19% / 81%
	2018	450	38	491	-	929	848	-	113	2,869	21% / 79%
Douglas Wood, CFO	2019	484	41	415	-	1,060	845	456	121	3,422	19% / 81%
	2018	450	39	491	-	-	848	-	113	1,941	31% / 69%
Peter van Rossum, former CFO	2019	-	-	-	-	607	-	-	-	607	0% / 100%
	2018	-	-	-	170	709	-	-	-	878	0% / 100%

1 STI based on accrual accounting, taking into consideration that this reflects the STI to be paid over the performance of that year.
2 The Value Creation Stake does not meet the definition of either fixed or variable remuneration, but for the proportion is considered variable.
3 The extra-ordinary items consist of the sign-on RSUs granted to the Management Board member upon joining the Company.

Use of right to reclaim

Stipulations by the European Commission's Guidelines

1. According to point (e), paragraph 1 of Article 9b of the Directive, companies are required to provide information on the use of the possibility to reclaim variable remuneration (during the reported financial year)

2. If variable remuneration has been reclaimed, the report should include the following information:
- the name of the director subject to the reclaim;
- the form of the reclaim18;
- the amount reclaimed;
- the relevant year (i.e. the financial year in which the variable remuneration was awarded or due).

Additionally, companies could also explain the reasons for such a reclaim, if appropriate.

Business practice and application

The use of the right to reclaim is exceptional. No organisation was found that made use of this possibility. However, a number of organisations explicitly mention that they have *not* exercised this right. It can be debated whether the Guidelines just ask for disclosure in case the right to reclaim was used, or also to mention that it has not been used. It just mentions to provide information on the use of it. Below, a number of examples can be found where companies explicitly mention that they have not used the right to reclaim, as well as a number of interesting additional features.

NN Group

This is an example where a company briefly mentioned not having used the right to reclaim, without further details.

In 2019 there was no hold back applied to unvested deferred variable remuneration nor was claw back applied to paid or vested variable remuneration for any of the Executive Board members.

ASM International

This company combines information on the board's authority to reclaim variable remuneration in case of incorrect data, with its authority to adapt the variable remuneration in case of extraordinary circumstances (called 'ultimum remedium').

CLAW BACK AND ULTIMUM REMEDIUM

In exceptional circumstances the Supervisory Board will have the discretionary authority to recover any amount of paid bonus and awarded shares, if evidence shows payments and awards have been awarded based on incorrect financial or other data (claw back).

If a variable component conditionally awarded in a previous financial year would, in the opinion of the Supervisory Board, produce an unfair result due to extraordinary circumstances during the period in which the predetermined indicators have been or should have been achieved, the Supervisory Board has the authority to adjust the value of bonus and shares downwards or upwards (ultimum remedium).

The NSR Committee concluded for 2019 that no circumstances have been identified that result in any adjustments or claw back of variable remuneration.

ABInBev

Under the header of reclaim of variable remuneration, ABInBev also mentions information about malus provisions. It refers to the paragraphs dealing with the remuneration policy applicable to the executive committee and more specifically to the fact that, in case of unsatisfactory performance, restricted stock units will not vest.

C. Reclaim of variable remuneration

Malus provisions have been included in the share-based compensation and long-term incentive plans relating to grants made in 2019 (see section 8.1.3. D.). No variable remuneration was reclaimed in 2019.

8.1.3. Remuneration policy of the ExCom

d. Recurring specific long-term Restricted Stock Unit programs

4. A program allowing for the offer of performance-based Restricted Stock Units (Performance RSUs) to certain members of the company's senior management. Upon vesting, each Performance RSU gives the executive the right to receive one existing AB InBev share. The Performance RSUs can have a vesting period of five or ten years. The shares resulting from the vesting of the Performance RSUs will only be delivered provided a performance test is met by the company. Forfeiture rules apply if the employee leaves the company before the vesting date or if the performance test is not achieved by a certain date. These Performance RSUs are subject to an organic EBITDA compounded annual growth rate target set by the Board. Other performance test criteria may be used for future grants, but they will remain in line with the company's high-performance culture and the creation of long-term sustainable value for its shareholders.

Compliance with policy and application of performance criteria

Stipulations by the European Commission's Guidelines

1. According to point (a), paragraph 1 of Article 9b of the Directive, the Report shall contain an explanation on how the total remuneration complies with the adopted remuneration policy, including how it contributes to the long-term performance of the company, and information on how the performance criteria were applied. This information should be provided in both numeric (if possible) and in a narrative form.

2. With regard to long-term performance, the Report should explain how the remuneration during the reported financial year has complied with the remuneration policy and contributed to the long-term interests and the sustainability of the company. For instance, the Report could explain how directors' remuneration is consistent with criteria relating to the long-term and sustainable performance of the company, as defined and measured in its own remuneration policy. Where applicable, it could include information about share lock-ins (for example for 5-10 years) and requirements for long-term equity ownership for directors.

3. Where applicable, companies should present for each director a description of the financial and non-financial (including, where appropriate, corporate social responsibility and sustainability) performance criteria as included in the remuneration policy for the different elements and types of applicable remuneration, the performance achieved over the reported financial year and the outcome of the remuneration resulting from each criterion. To the extent applicable, and according to the remuneration policy (directly and/or by cross-references), unless the disclosure of all or some of which would be seriously prejudicial to the company's business position, the description of the performance criteria could include a description on how the remuneration is calculated as well as the relative weighting of the performance criteria in the total variable remuneration. Additionally, the description of the performance criteria could also include *ex post* the predetermined performance targets or objectives and both the minimum and the maximum possible remuneration under each performance criterion to help establishing the link between the remuneration of directors and the performance of the company. However, if the company considers that disclosing precise financial performance targets, for example those related to the share price may result in increased short-term pressure which may negatively affect the sustainability of the company, it may decide not to disclose such targets.

4. If a performance criterion relates to the performance of the reporting company vis-à-vis other competitors, a cross-reference could also be added to the section of the remuneration policy where these other benchmark companies might be identified, if that is the case, as a peer group.

5. The information on performance criteria and its application should in principle be provided following the format example of Table 4. However, where the nature and/or complexity of the applicable criteria are difficult to capture in a table format, information as a narrative or a combination of table-based and narrative information may be more meaningful and appropriate. In any case, the presentation of the outcome should include the actual measured performance, the value of the respective award as regards each individual director and applicable criteria and, where allowed under the remuneration policy, how (upward or downward) discretion has been exercised in respect of the award. Furthermore, even though not required by the Directive, it could also include information regarding the previous financial year. The information should be provided in a way that allows to distinguish between one-year and multi-year incentives.

Table 4 - Performance of Directors in the reported financial year						
Name of director, position	1 Description of the criteria related to the remuneration component	2 Relative weighting of the performance criteria	3 Optional information on Performance Targets		4 a) Measured performance and b) actual award/ remuneration outcome	
			a) Minimum target/threshold performance and b) corresponding award/remuneration	a) Maximum/target performance and b) corresponding award/remuneration		
XXX	Criterion A		a)	a)	a)	
			b)	b)	b)	
	Criterion B					
	Criterion C					
YYY	Criterion A					
	Criterion B					

In general, this part of the remuneration report deals with two dimensions:

1. Compliance of the remuneration in the reported financial year with the remuneration policy, with a specific focus on the contribution of the remuneration to the long-term performance of the firm.
2. A detailed description of financial and non-financial criteria used over the reported financial year as well as the performance achieved and the remuneration calculation and outcome. In case relative performance criteria are used (i.e., vis-à-vis competitors or a peer group), the composition of the benchmark companies also needs to be disclosed.

Some important further clarifications are made in the Guidelines regarding the disclosure of performance criteria:

- Performance criteria applicable to the reported financial year need to be disclosed, unless this would harm the company's business position and/or its sustainability.
- The information on the performance criteria should be provided in the format of a table, a narrative or a combination of both, depending on the nature of the criteria.

Business practice and application

IMCD

How does one provide information on how the remuneration over the reported financial year is compliant with the remuneration policy (which is asked for by the Guidelines)? A nice example in this respect is provided in the table below (IMCD).

Information is given on the policy as well as its application for the different remuneration instruments, including at target levels, underlying performance criteria as well as performance and remuneration outcomes.

Regarding long-term incentives, both granted and vested long-term incentives are disclosed. Moreover, information is also shared regarding non-variable remuneration, such as base pay and pensions.

	Policy summary	Application in 2019[1]
Base salary	• A fixed annual cash compensation, paid in 12 equal monthly instalments. • Aim for the median level of the labour market peer group. • Reviewed annually, against external market developments and internal relativity to other employees.	• Base salary paid as follows: - Piet van der Slikke: EUR 643,423 - Hans Kooijmans: EUR 501,225 • The 2019 base salaries include an adjustment for inflation only, on the basis of the Dutch Consumer Price Index (*CPI*) determined by Statistics Netherlands (*Centraal Bureau voor de Statistiek*).
Short-term incentive	• A variable pay-out in cash based on annual performance conditions set by the SB • 'At target' level: 50% of base salary • Maximum opportunity: 75% of base salary • No pay-out in case performance is below pre-determined minimum thresholds	• Applicable criteria and their weight: - non-financial targets: 30% - organic growth (operating EBITA): 60% - M&A growth (acquired EBITA): 10% • Actual pay-out was 64% of the max. opportunity, resulting in a cash pay-out equalling: - Piet van der Slikke: 48% of base salary - Hans Kooijmans: 48% of base salary • The SB did not use its discretionary powers to deviate from the results calculated on the bases of the performance criteria.
Long-term incentive	• Annual grant of conditional shares that vest after three years • 'At target' level: 100% of base salary [2] • Maximum opportunity: 150% of base salary [2] • Performance targets and their weight: - cash earnings per share (EPS): 50% - relative total shareholder return (TSR): 50%	• In 2019, shares vested for the second time since the start of the MB's LTI Program. The 3-year performance period under the 2016 LTI Plan included book years 2016, 2017 and 2018. • Both targets (Cash EPS and relative TSR) were met at or above the maximum pay-out threshold. • Hence, shares vested as follows: - Piet van der Slikke: 11,479 shares - Hans Kooijmans: 8,440 shares representing a realised LTI bonus of 75% of base salary applicable at the time of the conditional grant.[2] • The SB did not use its discretionary powers to deviate from the results calculated on the bases of the performance criteria.
Pension	• Participation in the general IMCD pension scheme that also applies to other IMCD employees in the Netherlands. • No additional contributions are paid above the (statutory) capped pensionable salary.	• For the year 2019, the pensionable salary was capped at EUR 107,593 (in accordance with Dutch law). • Pension contributions were paid as follows: - Piet van der Slikke: EUR 43,516 - Hans Kooijmans: EUR 39,304

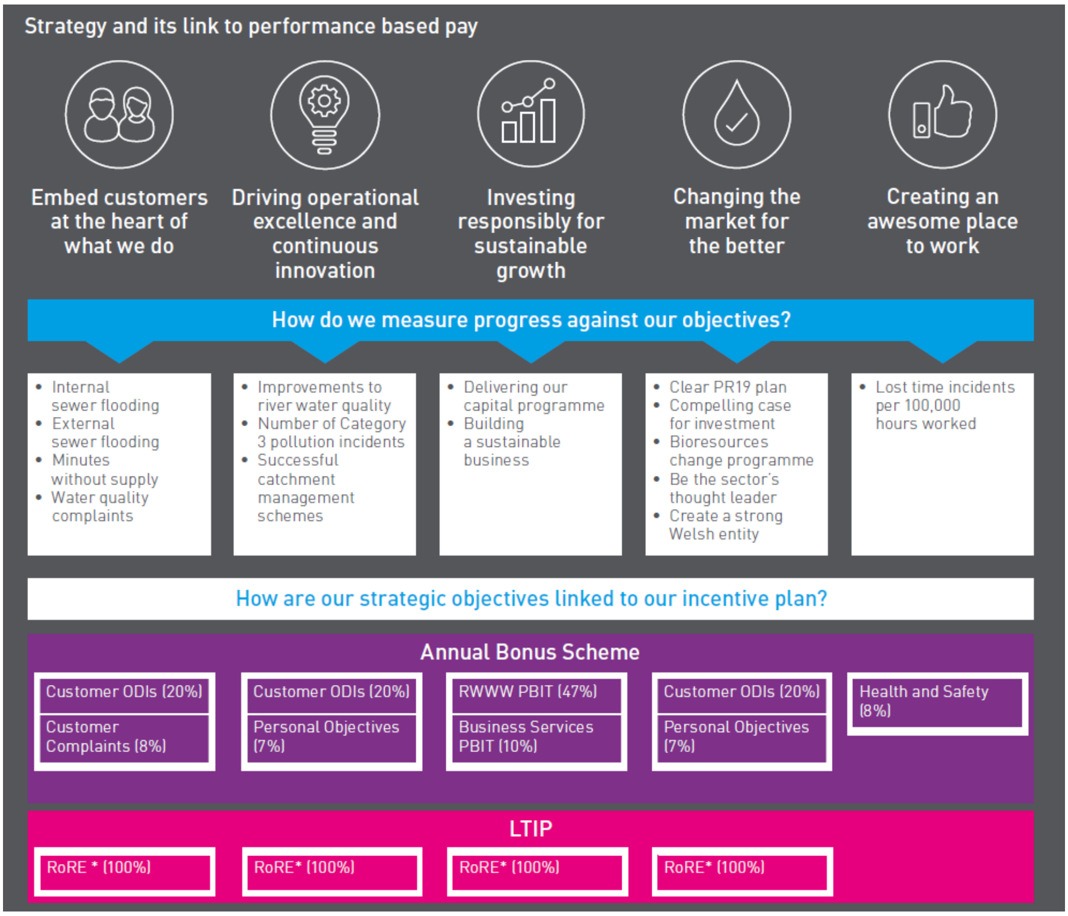
Van Lanschot Kempen & Severn Trent

It proved to be hard to find examples of how remuneration has contributed to the firm's long-term performance, which is asked for in the second paragraph of the Guidelines. Van Lanschot Kempen serves as a good example in this respect.

More specifically, it mentions that the lock-up period, in combination with share ownership guidelines, creates a focus on long-term value creation.

> **Remuneration principles remained unchanged in 2019**
> We believe in rewarding long-term sustainable performance to help achieve our long-term strategy. This is reflected in our Statutory Board remuneration policy. Since 2015, this consists of fixed remuneration only (no variable remuneration) and includes a large proportion in depositary receipts for shares (hereinafter: shares), with a five-year lock-up period, in combination with share ownership guidelines.[2] This creates a strong focus on long-term value creation.

Taking a somewhat broader perspective by looking at the firm's strategy and its relationship to remuneration, Severn Trent has developed a graphic including its strategic dimensions, how progress against these dimensions is measured, and how this translates into variable remuneration.



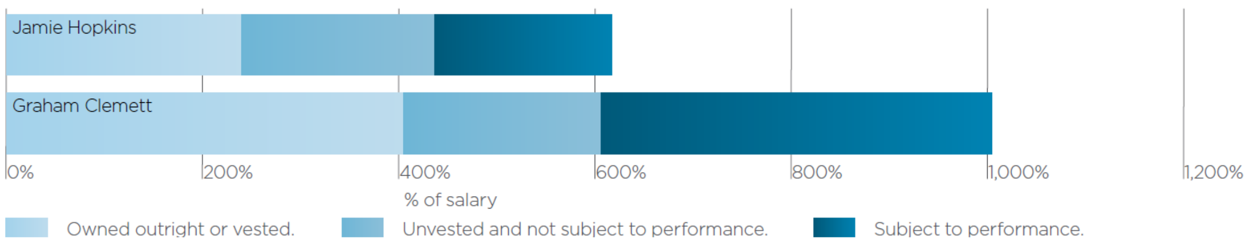
Workspace Group, TomTom & Swiss Re

In the second paragraph of chapter 5 of the Guidelines ('Compliance with policy and application of performance criteria'), it is asked to provide information on requirements for long-term ownership by directors. The graphic below shows how Workspace Group reports on both the minimum shareholding requirement and the extent to which this is met by making a split between outright owned shared, unvested shares which are not subject to performance, and shares which are subject to performance.

In this example, it becomes clear that both executives have met the 200% of salary shareholding requirement.

What is our minimum shareholding requirement and has it been met?

The following chart shows that in the year our Executive Directors met their minimum shareholding requirements of 200% of salary, and therefore already have strong alignment with our Shareholders. In addition, the table shows the substantial amount of equity which can potentially be earned over the next period, further increasing exposure to the share price performance of the Company.



In the example below, Swiss Re even provides information on share ownership for all the individual executives.

Even though this is not asked for in the Guidelines, it provides a good overview of shares held by top executives.

Shares held by members of the Group EC

The following table reflects Swiss Re share ownership by members of the Group EC as of 31 December:

Members of the Group EC	2018	**2019**
Christian Mumenthaler, Group Chief Executive Officer	71 733	75 305
Urs Baertschi, CEO Reinsurance EMEA/Regional President EMEA	n/a	546
Andreas Berger, CEO Corporate Solutions	n/a	34
Anette Bronder, Group Chief Operating Officer	n/a	0
John R. Dacey, Group Chief Financial Officer	27 124	29 809
Nigel Fretwell, Group Chief Human Resources Officer	n/a	12 272
Guido Fürer, Group Chief Investment Officer	66 007	53 983
Agostino Galvagni, former CEO Corporate Solutions[1]	99 521	n/a
Hermann Geiger, Group Chief Legal Officer	n/a	49 318
Russell Higginbotham, CEO Reinsurance Asia/Regional President Asia	3 918	4 662
Thierry Léger, CEO Life Capital	53 785	56 167
Moses Ojeisekhoba, CEO Reinsurance	38 998	40 704
Jayne Plunkett, former CEO Reinsurance Asia/Regional President Asia[2]	36 264	n/a
Patrick Raaflaub, Group Chief Risk Officer[3]	3 944	16 590
Edouard Schmid, Chairman Swiss Re Institute & Group Chief Underwriting Officer	30 936	31 794
J. Eric Smith, CEO Reinsurance Americas/Regional President Americas	24 004	25 262
Thomas Wellauer, former Group Chief Operating Officer[4]	110 520	n/a
Total	566 754	**396 446**

[1] The number of shares held on 31 December 2018 when Agostino Galvagni stepped down from the Group EC was 99 521.
[2] The number of shares held on 8 July 2019 when Jayne Plunkett stepped down from the Group EC was 30 406.
[3] For personal reasons, Patrick Raaflaub has extended time to meet the share ownership levels required under Swiss Re's Stock Ownership Guidelines.
[4] The number of shares held on 30 June 2019 when Thomas Wellauer stepped down from the Group EC was 83 102.

Schroders & ArcelorMittal

The third paragraph of chapter 5 of the Guidelines deals with performance indicators used in incentive schemes. Even though this is not specifically asked for in the Guidelines, it can be considered to be good practice to also provide a narrative on the rationale for inclusion of the different performance measures. Two examples are worth mentioning here. In the case of Schroders (first graphic below), the rationale is included as well as the link to one (or more) of the firm's strategic priorities (column on the right).

The graphic specifically deals with the annual bonus. In the case of ArcelorMittal (second graphic below), KPIs are listed and for each of these, it is mentioned whether they apply to the short-term incentives or the long-term incentives, as well as the rationale for their use.

Annual bonus scorecard measures	Rationale for inclusion	Link to strategy
Financial (70% weighting)		
Profit before tax and exceptional items (35%)	A long-standing measure of the firm's financial performance, which is recognised by its stakeholders. The Committee will consider the impact of exceptional items during the period and will have the discretion to make adjustments as appropriate.	
Client investment performance over 3 and 5 years (20%)	Central to our purpose. Represents a core output of our business. Helps our clients achieve their long-term financial goals.	
Annual net new business (15%)	Net new business is a long-standing firm-wide key performance indicator. A key driver of AUM and revenues.	
Non-financial (30% weighting)		
Strategic progress Sustainability People and talent Risk and conduct Personal goals	The Committee will set targets to assess strategic progress, sustainability, retention of key talent, conduct and risk metrics. These are all fundamental to the Group's long-term success. Performance of each executive Director against the annual objectives agreed for 2020 will also be considered.	

Growing Asset Management   Building closer relationships with our end clients   Expanding capabilities in Private Assets

Key Performance Metrics from 2019		
Metrics	Scheme	Rationale
EBITDA	STI	• Demonstrates growth and operational performance of the underlying businesses
FCF	STI	
ROCE	STI	• Critical factor for long-term success and sustainability of the Company
Gap to competition	STI / LTIP	• Outperform peers
Health & Safety	STI	• Employee health and safety is a core value for the Company
Business Specific measures	STI	• For corporate functions, links reward to strategic priorities of their functions
EPS	LTIP	• Links reward to delivery of underlying equity returns to shareholders
TSR	LTIP	• Creates a direct link between executive pay and shareholder value • Measure is split equally between comparison against S&P 500 index and a peer group of companies

Philips

We now 'jump' into the disclosure on the concrete performance criteria. First of all, it should be repeated that the European Commission's Guidelines leave room for flexibility and for adaptation to the specific practices of the firm. Even though the Guidelines provide a table (table 4) which supposes a rather mathematical approach, it explicitly mentions that companies can choose for a table and/or narrative, depending on what is most relevant and in line with its practice.

Philips provides a case of a strongly quantitative approach to KPI setting and evaluation. First of all, a table provides information on financial criteria, including weighting, threshold, target, maximum and realised performance, resulting in a payout as a percentage of the target.

This table is followed by a table including information on the realisation of the individual targets. However, no explicit information is shared on the concrete individual targets. In a third table, information can be found on the total bonus payout as a percentage of the target, being 80,5% for the financial targets (weighting 80%) and 90% for the individual targets (weighting 20%).

2019 Annual Incentive

Company financial results (80% weighting)

To support the performance culture, the financial targets we set are at group level for all members of the Board of Management. The 2019 realizations, shown in the following table, reflect the performance on the criteria at Group level that apply to the Board of Management. The performance on the comparable sales growth[*)] criterion was at target, whereas the performance on the EBITA[*)] and free cash flow[*)] based criteria were below target.

Philips Group
Annual Incentive - Financial targets in %
2019

Metric definition	weighting	threshold performance	target performance	maximum performance	realized performance	resulting payout as % of target
Comparable Sales Growth [1)]	37.5%	2.5%	4.5%	6.5%	100.0%	37.5%
EBITA [1)]	37.5%	10.5%	12.5%	14.5%	67.5%	25.3%
Free Cash Flow [1)]	25.0%	672	1,050	1,428	70.9%	17.7%
Total						**80.5%**

[1)] Non-IFRS financial measure. For the definition and reconciliation of the most directly comparable IFRS measure, refer to Reconciliation of non-IFRS information, starting on page 176.

Individual targets based on area of responsibility (20% weighting)
The individual targets set for the members of the Board of Management reflect their area of responsibility and are tied to, among others, customer focus, quality, strategy execution, sustainability and people. Based on a holistic assessment of all targets by the Supervisory Board, the following resulting payouts have been determined:

Philips Group
Annual Incentive - Individual targets in %
2019

	resulting payout as % of target
F.A. van Houten	90.0%
A. Bhattacharya	90.0%
M.J. van Ginneken	95.0%

When applying the 80% and 20% weightings to the resulting payout as % of target for the financial and individual targets, respectively, this leads to the following total Annual Incentive realization and payout:

Philips Group
Annual Incentive realization in EUR
2019 (payout in 2020)

	realized annual incentive	total payout as % of target	as a % of base compensation (2019)
F.A. van Houten	1,091,800	82.40%	82.40%
A. Bhattacharya	517,472	82.40%	65.90%
M.J. van Ginneken	335,685	83.40%	58.40%

*) Non-IFRS financial measure. For the definition and reconciliation of the most directly comparable IFRS measure, refer to Reconciliation of non-IFRS information, starting on page 176.

Workspace Group

In the previous example (Philips), no detailed information could be found on the constituting elements of individual performance. Workforce Group provides an interesting example of a firm that does provide information on personal objectives and the realisations in this domain. For each of the five personal objectives (being active property portfolio management, maintaining a low risk business profile, investor engagement programme, people engagement, and financing), it shares information on concrete targets and achievements over the year. In the graphics below, information is shared on the disclosure of the people dimension of personal performance.

Workspace Group does not provide numeric information on the realisation of each of the underlying targets, it just mentions that personal objectives weigh 24% and that the realised performance on the 5 underlying dimensions leads to a payout of 19%. But it does provide detailed information on the targets and the realisations.

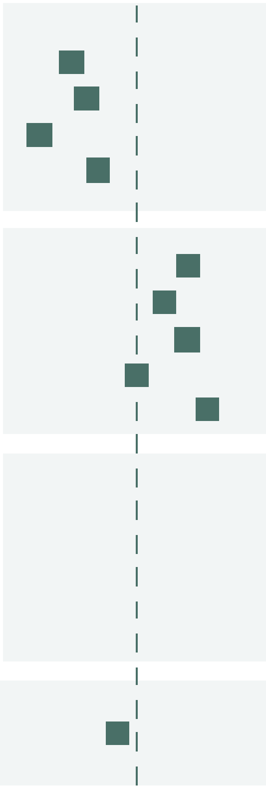
Objective People engagement – Doing The Right Thing	**Target**
	- Encourage staff engagement with local communities and potential charity opportunities.
	- Develop and launch a values-based staff engagement programme.

Achievements in year
- Staff committed to 1,217 volunteering hours in activities through the year supporting 5 separate charities. - £26,000 raised by staff from various fundraising events.
- Developed and then launched our new values to the business in Summer 2018. - Following the launch, rolled out workshops for all teams across the Company to discuss the values and how they should be reflected in individuals' day-to-day behaviour. - Values incorporated in the 2018/19 staff appraisal process.

Swiss Re

An interesting example on how to disclose information on target achievement in a non-quantitative way is provided by Swiss Re, more concretely on the calculation of the bonus pool. Rather than providing numeric information on the realisation of the targets, the information is disclosed in a graphic enabling the reader to see to what extent targets have been met in a more general way.

	Key performance indicator	Weighting	Achievement versus target
Financial assessment (step 1)	ROE Net operating margin EVM profit (% of ENW) ENW growth per share	25% 25% 25% 25%	
Qualitative assessment (step 2)	Client and service quality Risk and control behaviour Franchise building Human capital and talent management Strategic initiatives		
Overall assessment (step 3)	Overall assessment of Group API Pool from a number of different perspectives, eg labour market, capital market, compensation competitiveness and retention		
Group API Pool approved by the Board of Directors			



Ahold Delhaize

Ahold Delhaize provides detailed information on the performance measures that are used, their definition and, importantly, their relevance to the strategy. Moreover, information is disclosed on the weight of the performance measures. However, no information is provided on the concrete underlying targets. In this respect, the company mentions that *'this would require the disclosure of commercially sensitive information'*.

Information is then provided on the concrete performance multiplier, which is the outcome of the performance assessment.

Annual cash incentive plan: EIP

The members of the Management Board participated in the annual cash-based Executive Committee Incentive Plan (EIP). The 2019 EIP employed three financial measures: sales growth (30%), underlying operating margin (30%), and operating cash flow (20%). In addition, key strategic imperatives (20%) were included. For 2019, the single strategic imperative was consumer online sales growth.

Performance targets are revised annually to ensure they are challenging but realistic. Ahold Delhaize does not disclose the actual targets per performance measure, as this would require the disclosure of commercially sensitive information.

The on-target payout as a percentage of base salary was 100%, contingent on the full achievement of the objectives, with a cap at 150% of the target in the event of above-target performance.

Definitions of EIP performance measures

Performance measure	Definition	Relevance to our strategy
Sales growth (ex. gasoline)	Sales growth (excluding gasoline) quantifies how much sales grew year-over-year, excluding gasoline sales, expressed as a percentage of last year's sales (excluding gasoline).	Our goal is to expand market share, while at the same time focusing on margins to increase profitability and managing capital spending and expenses prudently in order to secure a strong and sustainable cash flow that allows us to cover financial obligations, make investments in the business and remunerate existing shareholders.
Underlying operating margin	Underlying operating margin is the result of dividing underlying operating profit (excluding gasoline operating profit) by third-party sales (excluding gasoline sales).	
Operating cash flow	Operating cash flow is defined as the cash flows generated by the core operations of the Company, adjusted for net lease payments and after tax.	
Strategic imperatives	Strategic imperatives are one or more variable performance measures that are defined annually by the Supervisory Board and that highlight specific strategic and key business priorities of the Company. For 2019, net consumer online sales growth was the single strategic imperative. This will also be the case for 2020.	Net consumer online sales growth reflects our focus on omnichannel growth.

For incentive purposes, performance is calculated using constant rates to ensure individuals are not rewarded nor penalized for foreign exchange rate developments, but only for true business performance.

For incentive purposes, we look at operating cash flow in order to reflect the true business performance of our operations.

In case of unforeseen or unusual circumstances occurring during the performance period that have an impact on the performance of the incentive plan as assessed at the end of the performance period, the Supervisory Board may consider an adjustment, in accordance with the principles of reasonableness and fairness.

Performance realized

Performance measure	Weight	Performance multiplier 2019	2018
Sales growth (ex. gasoline)	30%	**56%**	97%
Underlying operating margin	30%	**84%**	94%
Operating cash flow	20%[1]	**96%**	146%
Strategic imperatives	20%[2]	**139%**	100%
Total (%)	100%	**89%**	111%

1 In 2018, 30% of the EIP performance was based on operating cash flow.

2 In 2018, 10% of the EIP performance was based on personal objectives.

Actual EIP payout

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

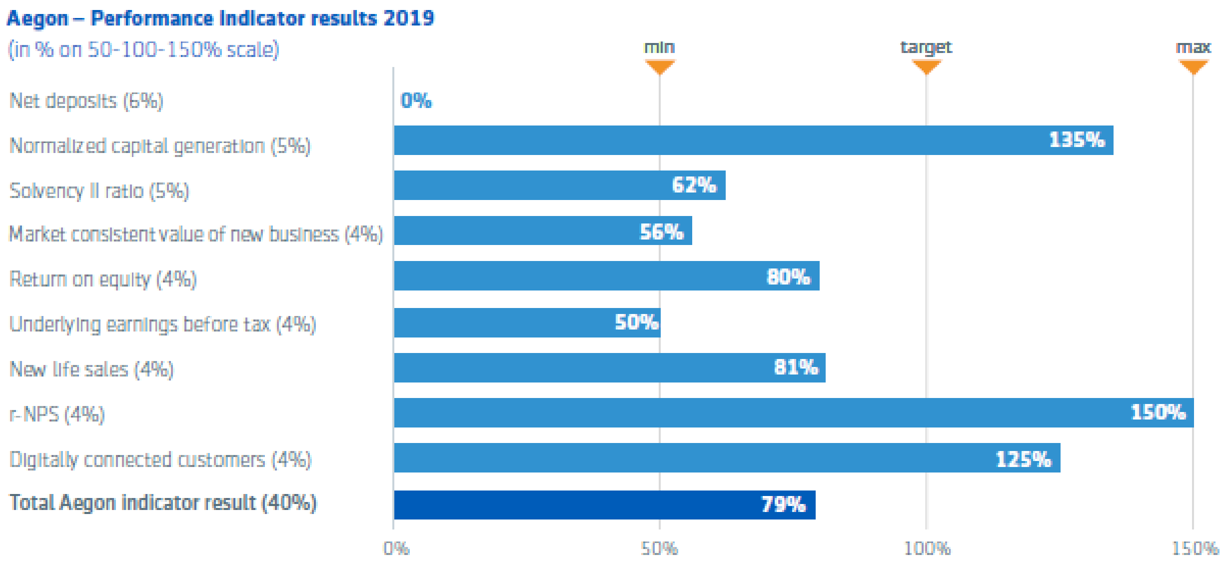
3 The 2018 remuneration reflects the remuneration for the period from his appointment to the Management Board on April 11, 2018.

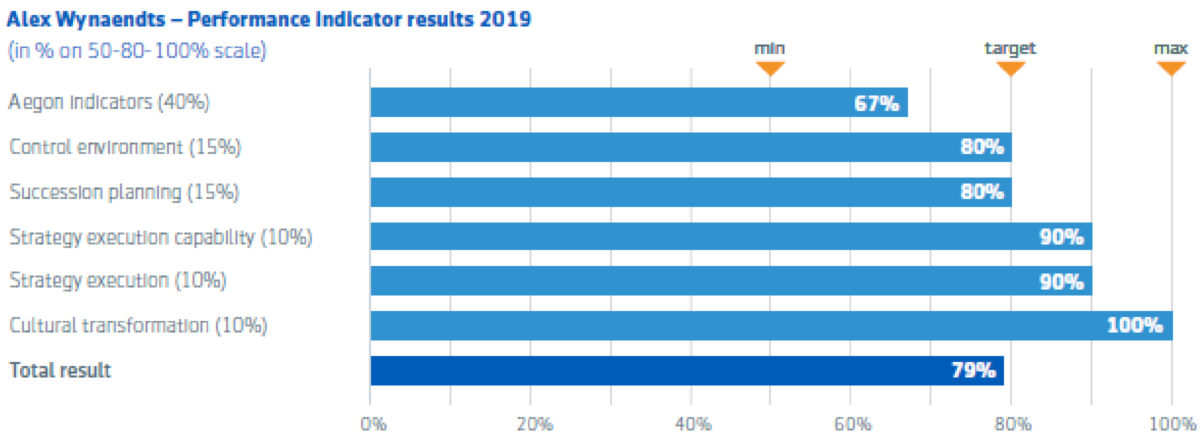
4 The 2018 EIP represents the actual amount paid in 2019.

Aegon

The case of Aegon is comparable to the one of Ahold Delhaize, with some slight differences in focus:

- While Ahold Delhaize gives a clear explanation on how the performance measures are linked with its strategy, Aegon focuses more on defining the performance measures.
- Aegon provides graphics on the degree of realisation of the different performance indicators as well as the overall result for the group indicators as well as each of the individual performance indicators. In the case of Ahold Delhaize, the strategic imperatives were disclosed in total, while Aegon provides more detailed information.





Scope	Performance Indicators	Definition
Aegon financial	Net deposits	Net deposits is the difference between gross deposits and withdrawals. If gross deposits exceed withdrawals, the result is a net inflow of customer money. If withdrawals exceed gross deposits, the result is a net outflow. Gross deposits is a sales metric and reflect amounts paid by policyholders (inflows) on insurance and investment contracts to which deposit accounting is applied.
	Normalized Capital Generation	The movement in our capital position (on a Solvency II basis) during a period in the normal course of business net of market impacts (e.g. changes to interest rates, credit spreads, equity returns) and one-time effects. Impacts from dividends and capital injections that do not generate capital but do affect Own Fund are excluded from capital generation.
	Solvency II ratio	The Solvency II ratio measures the solvency of an EU insurance company. The Solvency ratio is calculated by dividing eligible Own Funds by the Solvency Capital Requirement (SCR) – the amount of capital insurers must hold under the Solvency II regime.
	Market consistent value of new business	Represents how much value the sale of new insurance policies is generating for the company. This value represents the present value of our best estimate of incoming premiums and outgoing claims, benefits and expenses related to these new sales.
	Return on equity	The return on equity (ROE) measures the rate of return that the owners of common stock of a company receive on their shareholdings. Return on equity signifies how good the company is in generating returns on the investment it received from its shareholders. Aegon's ROE is calculated by dividing underlying earnings after tax and after cost of leverage by average shareholders' equity excluding revaluation reserve.
	Underlying earnings before taxes	Underlying earnings before tax reflect our profit from underlying business operations and exclude components that relate to accounting mismatches that are dependent on market volatility or relate to events that are considered outside the normal course of business.
	New life sales	New Life Sales reflect the premiums for new life insurance policies sold during the year. Aegon's new life sales is calculated as a total of recurring premiums and 1/10 of single premiums.
Aegon non-financial	Relational NPS	The Net Promoter Score (NPS) is a customer loyalty metric based on the percentage of customers that would likely recommend our products and services to friends and family (scores 9 and 10) minus the percentage that would not be likely to do so (scores 0 to 6). The Relational NPS measures the whole scope of the client relationship: 1) the contact experience, 2) the products/prices and 3) our brands.
	Digitally connected customers	The total number of customers who have registered, created an online account with Aegon and have logged in to this account at least once.
Alex Wynaendts	Control environment	Measures the effectiveness of Aegon's Control Environment in relation to IT CF implementation, Control Excellence and Solvency II/Solvency Capital reporting controls deficiency rectification.
	Succession planning	Contains personal goals to further improve succession planning for the Management Board and other critical positions.
	Strategy execution capability	Contains personal goals to further grow and accelerate the capability to execute the strategy (staffing, skills and competencies).
	Strategy execution	Consists of five personal milestones which were key for the strategy execution in 2019.
	Cultural transformation	Measures the personal contribution to embedding the Future Fit values in the organization ('Acting as one, Customer centricity, Agility and Accountability').

ING Group

While Philips, Ahold Delhaize and Aegon provided examples of companies that apply a rather quantitative approach to the determination of the variable remuneration, ING Group uses a more qualitative approach fed by concrete numbers. Firstly, information is provided on overall performance dimensions. However, no information is disclosed on the weighting of the underlying measures. Then, the tables provide detailed information as well as a narrative on the realisations in each of the performance dimensions. It is important to mention that, while ING Group does not apply a mathematical approach to the calculation of the incentives, it does provide numerical information on realisations in each of the performance dimensions, supplemented by qualitative information[4].

It is interesting to see that ING Group spends a separate paragraph on the outcome of the process for the variable remuneration, but it only does so in the format of a narrative. At the very end, and without sharing any calculations, the impact of the performance outcomes on the variable remuneration is disclosed.

2019 performance indicators Executive Board

As indicated in the remuneration policy, the performance of the Executive Board is assessed on non-financial and financial indicators. 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 compliant bank now 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 organisation and great place to work.
- Sustainability: increasing ING's social and environmental impact through our sustainability activities

[4] Information is shared on some selected performance dimensions. More complete information can be found in ING Group's remuneration report.

2019 Executive Board performance evaluation

The table below highlights key achievements, collectively accomplished by the Executive Board in 2019 in the areas mentioned. It reflects both ING's overall ambitions and the specific performance priorities agreed with the Supervisory Board at the beginning of 2019.

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 54.5% in 2018 driven by higher 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 retail 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 conversion of customer interactions into sale, with seven times higher mobile sales in 2019 than in 2016.

Execution Think Forward Strategy	Important steps taken in the ***major digital transformation programmes***: ▪ **Unite be+nl:** Reduced the branch footprint and introduced two common digital channels across Belgium and Netherlands (OneApp and OneWeb) that have been piloted with customers. Introduction of one platform for all customer-facing collegues to allow supporting customers faster and in a more uniform way. ▪ **Maggie (former Model Bank):** The digital platform has now over 450,000 active customers and the platform is ready to onboard customers from Italy, Spain and France in the coming years. ▪ **Welcome:** ING in Germany completed the programme early 2019 after introducing a new mobile app (One App) and a Go2Place platform including e-signature, multi-banking account overview, forecasting, third-party services and end-to-end digital process for account opening, consumer loans and mortgages. ▪ **Wholesale TOM:** Improved the experience of the ING's Wholesale Banking customers through the implementation of target solutions in Financial Markets, Lending and Transaction Services, setting up a pan-European Daily banking Desk and by expanding our client platform InsideBusiness, which is used by more than 18,000 international clients. New initiatives developed and aligned with partners to improve the customer experience being: ▪ ING's partnership with **AXA** reached another milestone in 2019 by going live with its global platform, which will provide home, mobility and health insurance services in six markets via the mobile app. The first product

Sustainability	In September ING published the first progress report on **Terra**, ING's approach to steer its €600 billion lending book in line with the goals of the Paris Agreement to keep global warming to well-below two degrees. The disclosure addresses developments and climate alignment for the sectors: power generation, fossil fuels, automotive, shipping, aviation, steel, cement, residential mortgages and commercial real estate. These are the sectors in ING's portfolio that are most responsible for greenhouse gas emissions. In a Climate Alignment Dashboard (CAD) the report presents which sectors are on track for climate alignment and where work is still in progress. This climate change disclosure is a first for banks. ING is recognised as an ***A-list company for leadership on climate action*** for the fifth year in a row by CDP, the leading global environmental disclosure platform. In 2019 ING reinforced the commitment to help customers reach their sustainability goals by closing more than twice the amount of sustainable finance deals compared to 2018.

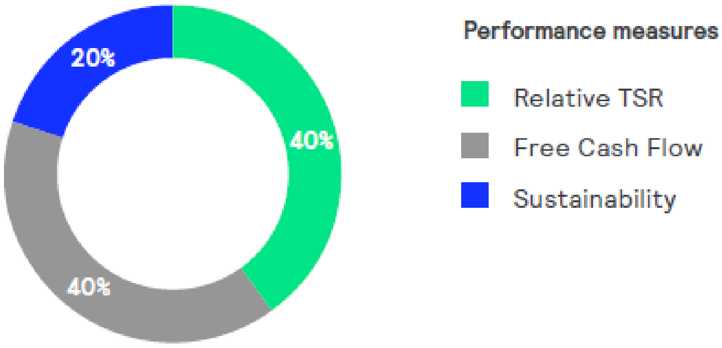
Variable remuneration outcome

Based on these achievements, the Supervisory Board has concluded that the Executive Board members did well overall to deliver these results. This was despite a challenging rate environment and increase in costs related to the KYC enhancement programme. Although the underlying result before tax and underlying return on equity decreased compared to 2018, good progress was made in the execution of the Think Forward Strategy. This is shown by the continued growth of the primary customer base and the increase in mobile interactions by retail customers. Risk costs remained below the through-the-cycle average. ING also continued executing the KYC enhancement programme, with strong governance from top management, more FTEs working in KYC and the roll-out of global KYC tools. In sustainability ING remains a leading company, making further progress with the Terra approach by partnering with 30 other banks to steer the lending portfolio towards the climate goals of the Paris Agreement. Overall this has resulted in a variable remuneration for the Executive Board members of between 15 and 16%.

Signify

The previous examples dealt with the disclosure on performance indicators in the case of short-term incentives. Signify provides interesting information on the disclosure on long-term incentives.

First of all, it discloses information on the performance indicators applicable to the long-term incentives granted in the reported financial year, without providing detailed information on target levels etc.



Key features:

- The long-term incentive is granted in performance shares only and are conditionally granted annually.
- The vesting of performance shares is conditional upon the achievement of performance conditions measured over a period of three financial years.
- Performance is measured using three performance measures: relative total shareholder return (40%), free cash flow (40%) and sustainability (20%).
- Pay-out per performance measure can vary between 0% and 200%.

Relative TSR

The vesting of 40% of the shares granted is subject to a TSR condition. Relative TSR measures the share price growth plus dividends paid over the three-year performance period. Relative TSR calculations are conducted by using the following approach: Return index data are averaged over a three-month period (of daily data) preceding the start and the end of the measurement period. This performance is expressed as a percentage. This percentage is compared to the TSR performance of companies included in the peer group specifically compiled for this purpose.
The TSR performance is determined for each company in the peer group and,
the performances are ranked from top to bottom. Signify's position in the ranking, together with the pay-out curve, determines the pay-out level. Currently, the peer group consists of the following companies:

TSR Peer Group

ABB	Johnson Controls
Acuity Brands	Legrand
Cree	Panasonic
Eaton Corporation	Signify
Fagerhult	Schneider Electric
Hitachi	Toshiba
Honeywell Int.	Zumtobel Group
Hubbel	

The peer group is reviewed on a regular basis to ensure that the companies in the group remain relevant peers. In case a peer needs to be replaced due to a corporate event (merger, acquisition, etc.) the Supervisory Board will ensure that the adjusted peer group remains aligned with the strategic objectives, the geographical spread and the business characteristics of Signify.

Next to the information on long-term incentives granted in the financial year, Signify also provides information on the indicators underlying long-term incentives that vested in the reported financial year. In this case, more detailed information is provided on concrete indicators, target levels and realisations.

Interestingly, this case also shows how information on peer groups relative to whom the performance of the company is measured, is disclosed (this is asked for in paragraph 4 of chapter 5 of the Guidelines).

Realization of 2017 performance share grant

The three years performance period of 2017 performance share grant ended on December 31, 2019.
The payout results are as follows.

Relative TSR (40% weighting)
The TSR achieved by Signify during the performance period was 36.7%.
This positioned Signify as the 8th ranked company in the peer group shown in the following table, resulting in an achievement of 100%.

January 1, 2017 – December 31, 2019

Rank	Company	TSR Performance
1	Cree	87.5%
2	Honeywell	71.1%
3	Hitachi	55.9%
4	Eaton Corporation	49.7%
5	Schneider Electric	49.4%
6	Legrand	43.8%
7	Hubbell	40.0%
8	**Signify**	**36.7%**
9	ABB	10.3%
10	Johnson Controls	8.1%
11	Fagerhult	(4.7%)
12	Panasonic	(5.8%)
13	Toshiba	(5.8%)
14	Acuity Brands	(46.5%)
15	Zumtobel Group	(54.8%)

Free Cash Flow (40% weighting)

The LTI Plan free cash flow pay-out and targets set at the beginning of the performance period were as follows:

	Pay-out	Free Cash Flow (in mEUR)	As % of sales
Below threshold	0%	< 1,205	< 5.6%
Threshold	40%	1,205	5.6%
Target	100%	1,355	6.3%
Maximum	200%	1,505	7.0%

The LTI Plan free cash flow target setting was based on anticipated sales figures. Over the three-year performance period, an amount of EUR 1,254 million free cash flow (excluding pension de-risking and IFRS 16) was generated, representing 6.4% of sales. In light thereof, the Supervisory Board determined the LTI Plan free cash flow achievement as 80%.

Sustainability (20% weighting)

Based on the following LTI Plan sustainability target setting and results over the performance period, the Supervisory Board determined the LTI Plan sustainability achievement as 200%.

	Target 2019	Result 2019
Sustainable revenues	80.0%	82.5%
LED lamps & luminaires delivered	1.67 billion (cumulative from 2015)	2.344 billion
Carbon footprint	385 kilotonnes CO_2 (annual cumulative)	363 gross kilotonnes
Waste to landfill	1.35 kilotonnes (annual cumulative)	0.7 kilotonnes
Safe & Healthy Workplace	TRC of < 0.39	TRC of 0.32
Sustainable Supply Chain	90% performance rate	99% performance rate

In view of the above, the following performance achievement and vesting levels have been determined by the Supervisory Board in respect of the 2017 grant of performance shares:

	Achievement	Weighting	Vesting level
TSR	100%	40%	40%
Free cash flow	80%	40%	32%
Sustainability	200%	20%	40%
Total			**112%**

Derogations and deviations from remuneration policy

Stipulations by the European Commission's Guidelines

1. In line with point (f) of paragraph 1 of Article 9b of the Directive, where applicable, companies are required to provide information on any deviations from the procedure for the implementation of the remuneration policy and on any derogations from the remuneration policy itself that have been applied, including the explanation of the nature of the exceptional circumstances and the indication of the specific elements derogated from. As regards this section of the Report, it should be noted that the provision of the Directive (paragraph 4 of Article 9a) that relates to derogations from the remuneration policy is an option for Member States and the possibility to temporarily derogate from the remuneration policy requires that the policy includes both the procedural conditions under which the derogation can be applied and the specific elements of the policy from which a derogation is possible.

2. If a company has applied any derogations in accordance with paragraph 4 of Article 9a, it should provide information on such deviation or derogation, including, in particular:
(i) an indication of the specific elements deviated or derogated from and a confirmation that the remuneration policy allows these elements to be deviated or derogated from;
(ii) an explanation of the nature of the exceptional circumstances including an explanation on why the deviation or derogation is necessary to serve the long-term interest and sustainability of the company as a whole or to assure its viability;
(iii) information on the procedure followed and a confirmation that this procedure complies with the procedural conditions that are specified in the policy for these exceptional circumstances.
(iv) information on the remuneration awarded under such exceptional circumstances22.

Member States' rules implementing the Directive may determine which circumstances can be considered exceptional, which in turn may result in derogations from the remuneration policy.

3. If a company has deviated in accordance with paragraph 6 of Article 9a of the Directive from the procedure for the implementation of the remuneration policy, it should provide information on such deviation, that could include, for instance, an explanation for the reasons and the circumstances for this deviation, and the procedure followed instead of the prescribed one to achieve the targets included in the remuneration policy.

Business practice and application

Kinepolis

Kinepolis provides an example of a deviation from the remuneration policy. Concretely, the board has decided to grant a bonus, notwithstanding the fact that the recurring EBITDA result was not within the range that was set.

In its remuneration report, the company provides information on the reasoning underlying this derogation.

Application

In 2018, the Board of Directors, assisted by the Nomination and Remuneration Committee, evaluated the objectives to be achieved in the 2017 financial year and established that the proposed milestones were achieved, or that sufficient concrete progress had at least been made with regard to the qualitative objectives. With regard to the quantitative objectives, the Board of Directors decided that the objectives realised with regard to ratio improvement on the one hand, and the important contribution to the implementation of the expansion strategy with the acquisitions of Landmark and NH Cinemas on the other, were so important that despite the fact that the recurring EBITDA realised was not fully within the range that had been set, it was nevertheless decided to grant the variable remuneration linked to the qualitative and quantitative objectives and, consequently, an amount of 400 000 euro was paid out to Mr Eddy Duquenne, and 220 000 euro to Mr Joost Bert.

BHP Biliton

Another example of the board using its discretion to deviate from the remuneration policy is provided by BHP Billiton. In 2016, a dam failure at Samarco, a joint venture, led to victims.

The board decided that it was not appropriate to grant a bonus to the CEO under these circumstances.

Malus and clawback

The STIP and LTIP provisions allow the Committee to reduce or clawback awards in the following circumstances:

- the participant acting fraudulently or dishonestly or being in material breach of their obligations to the Group;
- where BHP Billiton becomes aware of a material misstatement or omission in the financial statements of a Group company or the Group; or
- any circumstances occur that the Committee determines in good faith to have resulted in an unfair benefit to the participant.

These malus and clawback provisions apply whether or not awards are made in the form of cash or equity and whether or not the equity has vested.

3.4.6 FY2016 STI performance outcomes

The Board and Remuneration Committee have reviewed the Group's performance in FY2016 for the purposes of determining the CEO's STI outcome. The dam failure at Samarco (a non-operated joint venture in Brazil) in November 2015 was a key consideration, along with the ongoing decline in commodity markets and its associated impact on our performance. The Board and Remuneration Committee considered the STI scorecard set for the CEO and his performance against the KPIs, and also weighed up the events and external factors impacting the Group's performance as set out above. Having considered all these elements holistically, the Board and Committee determined that the STI outcome for the CEO for FY2016 should be zero and exercised discretion to approve that outcome. This outcome accorded with an indication the CEO had previously provided to the Remuneration Committee that he thought a zero STI outcome for FY2016 would be an appropriate alignment of his short-term remuneration outcome for FY2016 with the shareholder experience and the interests of the Group's other stakeholders.

Comparative information on change of remuneration and company performance

Stipulations by the European Commission's Guidelines

1. In line with point (b), paragraph 1 of Article 9b of the Directive, the Report shall contain information on the annual change of remuneration of each individual director, 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. According to the Directive, the said information is to be presented together in a manner which permits comparison. To this end, the company should include in its remuneration report information in the format of Table 5.

Table 5 - Comparative table on the change of remuneration and company performance over the last five reported financial years (RFY)

Annual change	RFY-4 vs RFY-5	RFY-3 vs RFY-4	RFY-2 vs RFY-3	RFY-1 vs RFY-2	RFY vs RFY-1	(Information regarding the RFY)
Director's remuneration						
Name of director, position						
Name of director, position						
Name of director, position						
Company's performance						
Criterion/metric A						
Criterion/metric B						
Criterion/metric C						
Average remuneration on a full-time equivalent basis of employees						
Employees of the company (all or reference to the relevant comparison group)						

The explanatory notes of the Guidelines make clear that 'annual change' should be mentioned in terms of a percentage as well as in absolute numbers. That means that it is not the objective to mention absolute numbers for each year (which seems to be a popular practice). The absolute values just need to be disclosed for the reported financial year in the last column, while the other columns deal with changes.

Another important element is that not only executive directors need to be included in this table, but also non-executive directors' remuneration change needs to be disclosed here.
As far as remuneration is concerned, the numbers should reflect the evolution in the total amount of remuneration. However, the Guidelines mention that also the changes in the fixed and variable remuneration can be included if this is considered to be meaningful.

The Guidelines also provide information about the concept of average remuneration of employees. It should be calculated on a full-time basis and a note should be included to explain the methodology. Moreover, the remuneration of the directors should not be included to calculate the figure. Finally, the Guidelines mention that in case reporting take place on a consolidated basis, it is encouraged to also provide information including employees of the entire group.

The Guidelines also explicitly mention that the company can also report the average pay of other relevant employee groups (e.g., according to regional, sectoral or other data).

The explanatory notes also provide information on reporting on performance. The Commission opted not to impose reporting on specific predefined performance indicators. It only encourages to disclose the net result, and also to add non-financial performance indicators or the relevant indicators to demonstrate the company's performance in relation to its long-term strategy.

Business practice and application

It proved to be a very difficult exercise to find companies that are fully in line with the Guidelines related to the comparative information on change of remuneration. The main deviation seems to be that most companies provide absolute amounts rather than the change of remuneration.

KPN

In the field of director remuneration, KPN provides information on the absolute amount as well as the absolute change in euros and in percentages. In fact, providing information on the absolute amounts is not asked for in the Guidelines, only the absolute amount over the reported financial year. However, we consider it to be good practice to also report the absolute amounts per year, from the perspective of clarity.

As far as performance indicators are concerned, it is interesting to observe that KPN has opted to report on performance indicators that are included in the company's incentive systems, which is not necessarily asked for by the Guidelines. It reports on total shareholder return, free cash flow, and EBITDA. This also means that it does not add information on non-financial indicators.

It should be mentioned here that the Guidelines also ask for disclosure on the remuneration of the non-executive directors in table 5. However, this is not the case in this example - an overview table with the remuneration amounts granted to the non-executive directors is provided on another place in the remuneration report - however, only absolute numbers are disclosed there.

Furthermore, it should be noticed that the Guidelines do not ask to provide the pay ratio, this is a stipulation by the Dutch legislation.

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

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' comparison was possible (i.e. full year appointment during the five years period).

	2015	2016	2017	2018	2019
Remuneration Joost Farwerck (Appointed April 2013)	1,260,000	1,418,000	1,904,000	1,384,000	1,733,000
-Year-on-year difference (EUR)	+391,000	+158,000	+486,000	-520,000	+349,000
-Year-on-year difference (%)	+45%	+ 13%	+34%	-27%	+25%
Remuneration Jan Kees de Jager (Appointed September 2014)	1,270,000	1,490,000	2,022,000	1,419,000	1,632,000
-Year on year difference (EUR)	Not comparable	+220,000	+532,000	-603,000	+213,000
-Year on year difference (%)	Not comparable	+17%	+36%	-30%	+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)	Performance:	Performance:	Performance:	Performance:	Performance:
- STI bandwidth pay-out level	Maximum	Close to target	Maximum	Around maximum	Maximum
- LTI bandwidth pay-out level	Not applicable	Below threshold	Between on-target and maximum	Below threshold	Slightly above threshold
EBITDA (part of STI)	Performance:	Performance:	Performance:	Performance:	Performance:
- Pay-out level STI bandwidth	Around maximum	Between threshold and on-target	Between threshold and on-target	Around on-target	Between on-target and maximum
Average cost per FTE (IFRS)	70,658	79,924	82,967	85,355	88,445
Pay ratio CEO (IFRS)	42	33	36	29	30

ING Group

First of all, for readability reasons, only a limited number of columns are displayed (the table in the report goes back to 2015 vs. 2014).

This example is interesting from two perspectives:

- Also non-executive directors are included in the table.
- As far as company performance is concerned, information is provided not only on the financials (profit before tax and return on equity), but also on a measure of client penetration[5], which seems to be a strategically important measure for ING.

However, the table does not provide information on the change in absolute amounts.

Development of directors' remuneration, company performance and employee remuneration	FY 2019	FY 2019 vs FY 2018	FY 2018 vs FY 2017[4]
Directors remuneration (Executive Board)[1, 2, 3, 5]			
Ralph Hamers	2,016	15.2%	-12.8%
Tanate Phutrakul	973	-	-
Koos Timmermans	818	-	-11.8%
Steven van Rijswijk	1,399	16.2%	-11.8%
Directors remuneration (Supervisory Board) [6]			
Hans Wijers	202	9.2%	340.5%
Hermann-Josef Lamberti	141	1.4%	-1.4%
Jan-Peter Balkenende	99	0%	200%
Henk Breukink	40	-68.3%	-0.8%
Mariana Gheorghe	118	12.4%	11.7%
Eric Boyer de la Giroday	108	0%	1.9%
Margarate Haase	98	55.6%	-
Mike Rees	73	-	-
Robert Reibestein	136	-1.4%	1.5%
Herna Verhagen	30	-	-
Company's performance[5, 6]			
Retail primary relationships (in mln)	13.3	7%	10%
Profit before Tax ING Group (continuing operations) (in mln)	6,834	0%	-6%
Underlying Return on Equity	9.4%	-2%	1%
Average employee remuneration			
Average fixed and annual variable remuneration	65	7%	-1.1%

[5] A primary relationship is defined by ING as 'one where customers hold a current account and at least one other product'.

Solvay

Even though the table provided by Solvay in its annual report is not fully responding to the stipulations by the Guidelines (e.g., no absolute amounts, no evolution in absolute amounts, no information on total remuneration amounts and the evolution in it), the interesting element in this example deals with performance indicators.

More concretely, this company provides information on its financial performance (by the means of EBITDA growth) as well as on its sustainability performance (i.e., progress towards sustainable development objectives).

	2015	2016	2017	2018	2019	Remuneration for 2019 (Amount)
Remuneration for Member of the Board[1]						
Remuneration of CEO						
Annual Base on year over year basis	10%	0%	0%	9%	NA[2]	1,150,000
Variable STI payout vs Target	137%	121%	149%	134%	118%	1,361,600
PSU Payout value vs Target	NA	54%	111%	108%	NA[2]	NA[2]
LTI Grant value vs Target	100%	100%	100%	100%	100%	1,725,000
Remuneration for Members of Executive Committee						
Annual Base on year over year basis (includes mandatory increase in Belgium)	3.3%	3.5%	3.5%	12.2%[3]	3.6%	3,124,441
Variable STI payout vs Target	128%	112%	144%	120%	72%	1,266,000
PSU Payout value vs Target	NA	54%	111%	108%	84%	794,774
LTI Grant value vs Target	100%	100%	100%	200%	100%	2,500,000[7]
Solvay performance						
EBITDA growth vs Target for the Year	109%	96%	138%	105%	51%	
Progress towards Sustainable Development objective vs Target for the Year	174%	140%	181%	165%	145%	
Average remuneration of a full-time equivalent basis of employees[8]						
Employees of the Group	3%	16%[5]	7%	0.6%[6]	5%	

(1) as indicated in Compensation Report remuneration for Board of Directors has not been changed from 2012 and is dependend only from number of meetings.

(2) New CEO

(3) Extension of the Executive Committee and related market adjustment for C.Tandeau de Marsac, A.Di Donfrancesco, H.Du from March 1st;

(5) Full Integration of Cytec in 2016

(6) Oxygen restructuring impact

(7) Including grant for K.Hajjar, V.De Cuyper, A.Di Donfrancesco, H.Du, P.Juery.

(8) Average remuneration of employees is calculated on basis of "Wages and direct social benefits" divided by the number of employees on year over year bases for continues operations.

Information on shareholder vote

Stipulations by the European Commission's Guidelines

1. According to paragraph 4 of Article 9b of the Directive, companies are required to explain in the Report how the advisory vote on the previous remuneration report adopted by the last general meeting has been taken into account.

2. However, for small and medium-sized companies Member States may have allowed under the Directive that the remuneration report was only discussed as a separate item of the agenda and not voted upon. In such cases, the company should explain in the following remuneration report in what manner the discussion in the general meeting was taken into account, in line with the second sub-paragraph of paragraph 4 of Article 9b.

There is a potential overlap between this part and the introduction because the Guidelines also ask for disclosure in the introduction on how the views or the votes of the shareholders were taken into account in relation to the remuneration report. This means that some of the examples discussed in that part (like Van Lanschot Kempen) could also be mentioned under this part.

Business practice and application

Recticel

This company provides concrete information on the result of shareholder voting which took place during the reported financial year. However, it does not provide information about the shareholders' views as well as on how they were taken into account, presumably because this is not needed taking into account the result of the voting.

c) Shareholder engagement

The Annual General Meeting held on May 28th, 2019 approved the 2018 remuneration report with 91.30% of shareholder votes. In establishing its remuneration policy and its future revisions, Recticel endeavours to take into account the votes and views of the shareholders. Recticel is committed to an open and transparent dialogue with its shareholders on remuneration as well as other governance matters.

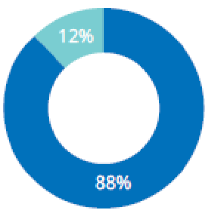
Schroders

Interestingly, Schroders provides information on the result of the shareholder voting, both for the remuneration report and the remuneration policy. Moreover, it provides historical data, which enables the reader to make comparisons over the years.

Shareholder voting on remuneration

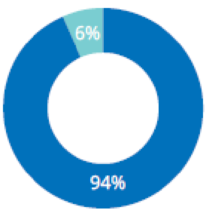
At the 2019 AGM, shareholders approved the remuneration report that was published in the 2018 Annual Report and Accounts. Shareholders approved the current Directors' remuneration policy at the 2017 AGM and that policy applies for three years from the date of approval. The results of these votes are shown below, together with the result of previous shareholder votes on remuneration resolutions since 2014.

To approve the remuneration report at the 2019 AGM



	2019 AGM voting
Votes for	175,805,066
Votes against	23,992,740
(Votes withheld)	1,351,623

To approve the Directors' remuneration policy at the 2017 AGM



	2017 AGM voting
Votes for	181,963,125
Votes against	12,623,229
(Votes withheld)	461,454

To approve the relevant remuneration report	Votes for	Votes against
2014 AGM	94%	6%
2015 AGM	97%	3%
2016 AGM	96%	4%
2017 AGM	95%	5%
2018 AGM	96%	4%
2019 AGM	**88%**	**12%**

To approve the relevant Directors' remuneration policy	Votes for	Votes against
2014 AGM	92%	8%
2017 AGM	**94%**	**6%**

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The Executive Remuneration Research Centre (ERRC) is a knowledge-driven network in the field of executive reward management. The centre's main topics of interest include:

- Strategic alignment of executive rewards
- Sustainable executive rewards
- Transparency & disclosure on executive reward
- Stakeholder engagement on executive reward
- Behavioural outcomes of executive reward

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