

# Executive and non-executive remuneration survey 2019

Overview of AEX, AMX and AScX market practice

People and Organisation

September 2019



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# Introduction

Dear reader,

The corporate governance landscape is changing. EU (listed) companies will be increasingly subject to stringent disclosure and transparency requirements. Part of the call for greater transparency applies to the remuneration of top executives of listed companies. In practice, the quality of advice and the lack of dialogue between all stakeholders are the biggest concerns. The revised Shareholders' Rights Directive (SRD) is an important step in the right direction to address these concerns. The effectiveness of interaction between the company, its shareholders and proxy advisors depends on the openness and willingness to understand each other.

Not only will the Works Council be more involved in the process of setting remuneration, shareholders now have the right to an extended say on pay under the SRD. Ex ante through their vote on the remuneration policy and ex post via their vote on the remuneration report. As a result of SRD, there is a shift from the view of the company, towards the view of the workforce, society and other stakeholders. With the broader group of stakeholders, diversity and gender equality continue to be hot topics. We may also expect further developments in the area of corporate social responsibility. Fuelled by the public debate, conversations between executives and investors should be and are much deeper.

To support you in your communications and/or considerations we have analysed the remuneration of executives in 75 Dutch listed companies (AEX, AMX and AScX) for the 2018 reporting year. This publication provides a summary of selected executive pay topics as well as relevant insights in this field. The report may be used as a first step to validate your current executive pay policies and assess whether these are fit-for-future. The survey may also help you to engage with internal and external stakeholders on this topic.

We trust you find this survey an interesting and thought-provoking read and look forward discussing this with you in further detail. For contact details, please see page 36.

Your sincerely,

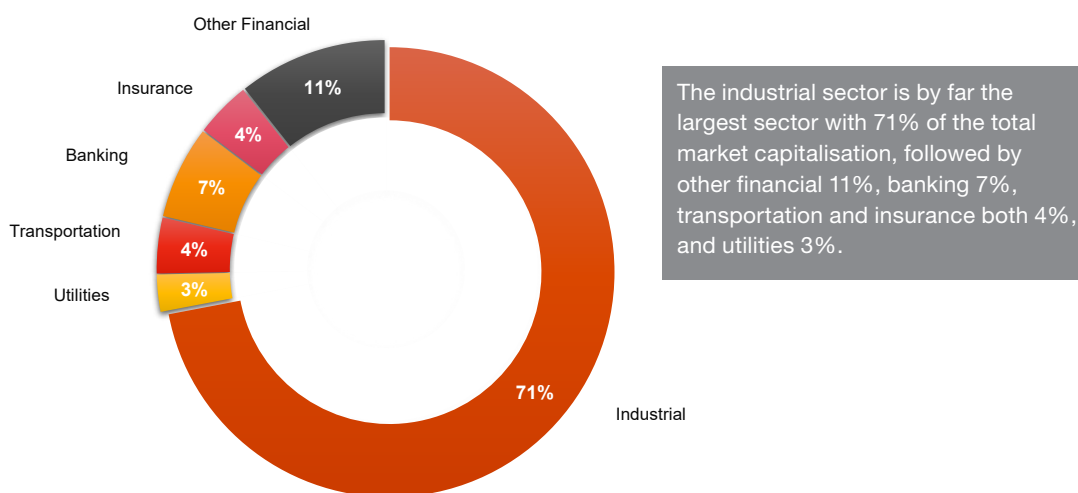
Janet Visbeen  
PwC EMEA Reward Leader



# Survey information and definitions

This survey includes data from the companies included in the AEX, AMX and AScX indices as published by Euronext Amsterdam based on the composition of these indices as per March 2019. In Figure 1 below, please find a breakdown of the industry sectors of the companies included in the indices as included in this survey.

**Figure 1.** Market capitalisation per sector



The following definitions are consistently applied in this publication.

**Base salary:** All fixed salary and allowances payments excluding benefits and pension.

**Short-term incentive (STI):** All cash and equity-based payments accrued to an individual over a period shorter than 12 months.

**Long-term incentive (LTI):** All cash and equity-based payments accrued to an individual over a period longer than 12 months.

**Total Cash Compensation (TCC):** Base salary + STI.

**Total Direct Compensation (TDC):** TCC + LTI.

Remuneration levels rarely follow a normal distribution curve and tend to fluctuate. For this reason, we have used quartile ranges rather than averages and standard deviations, which consider normality. The quartiles used are defined below.

**Lower quartile (25th percentile):** 75% of the population earn more and 25% earn less than this level.

**Median (50th percentile):** 50% of the population earn more and 50% earn less than this level.

**Upper quartile (75th percentile):** 25% of the population earn more and 75% earn less than this level.

In this publication, the statutory positions of Chief Executive Officer (CEO), Chief Financial Officer (CFO) and Other Executive Director (OED) are analysed. Only the key findings are published. Other potentially interesting indicators on executive and non-executive remuneration can be made available via your contact at PwC.









# Executive remuneration levels

## Executive remuneration versus company size

Executive remuneration levels are largely linked to the size of a company, as best reflected in market capitalisation, total assets and revenues. In addition to these size indicators, business complexity and industry specific considerations play a role in determining executive remuneration. Furthermore, the country in which the company is based or has its main activities also affect remuneration levels.

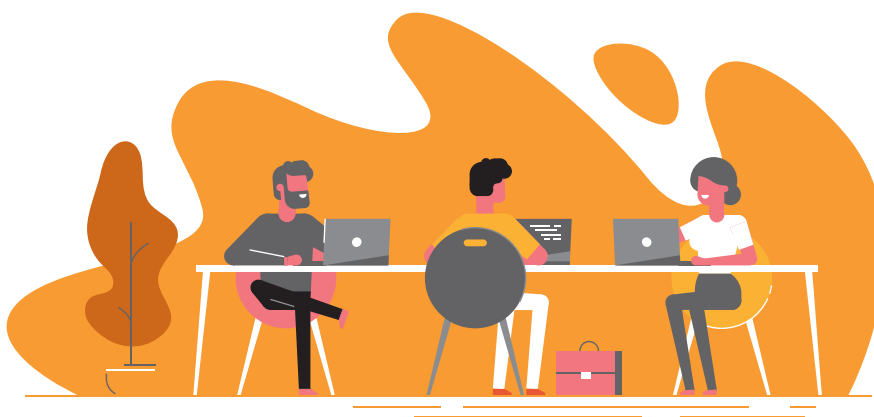
We recommend companies to balance the input gained from external benchmarking against a relevant labour market reference group, with the internal equity towards the total employee population. Furthermore, a clear link between executive remuneration levels and the achievement of strategic goals linked to long-term value creation remains of key importance to investors.

The table below reflects the annual average base salary and TDC of the CEOs of all AEX, AMX and ASX listed companies, as determined based on the companies' market capitalisation, total assets and revenue in 2018.

**Table 1.** Average CEO annual base salary and TDC of AEX, AMX and ASX listed companies based on market capitalisation, total assets and revenue

Market capitalisation, Total assets and Revenue Range	Market capitalisation (EUR million)		Total assets (EUR thousand)		Revenue (EUR million)	
	Base salary (EUR '000)	TDC salary (EUR '000)	Base salary (EUR '000)	TDC salary (EUR '000)	Base salary (EUR '000)	TDC salary (EUR '000)
Up to 0.1	-	-	160	160	440	570
From 0.1 up to 0.5	390	640	440	835	435	840
From 0.5 up to 1.0	620	1,200	465	775	540	1,450
From 1.0 up to 2.0	435	1,020	595	1,620	605	1,555
From 2.0 up to 5.0	615	2,135	520	1,235	705	2,300
From 5.0 up to 20.0	1,035	3,215	920	3,240	900	3,080
From 20.0 up to 100.0	1,275	4,710	1,040	4,585	1,305	4,150
Above 100.0	1,525	9,365	1,320	3,090	1,525	9,365

*\*) Source: PwC analysis based on Annual Reports and Remuneration Reports over 2018. Market capitalisation, total assets and revenue as at 31 December 2018. Remuneration amounts are rounded to the nearest EUR 5,000.*



The table below reflects the comparison of average CEO base salary and TDC for AEX, AMX and AScX listed companies, divided by market capitalisation, total assets and revenue.

**Table 2.** Comparison of average CEO base salary and TDC for AEX, AMX and AScX

Index	Market capitalisation (EUR million)	Total assets (EUR '000)	Revenue (EUR million)	CEO base salary (EUR '000)	CEO average annual TDC (EUR '000)
AEX	26,826	108,471	30,189	1,062	4,043
AMX	3,016	3,939	2,806	602	1,566
AScX	670	2,344	680	434	632
AEX: AMX	8.9x	27.5x	10.8x	1.8x	2.6x
AEX: AScX	40.0x	46.3x	44.4x	2.4x	6.4x
AMX: AScX	4.5x	1.7x	4.1x	1.4x	2.5x

*\*) Multiple of 8.9x means that the average market capitalisation of the AEX-index is 8.9 times the average market capitalisation of the AMX-index, whilst average base salary of the CEO is 1.8 times as high.*



## Executive remuneration mix

The table below lists the lower quartile, median and upper quartile remuneration levels for the CEO, CFO and OEDs of all AEX, AMX and AScX listed companies, in terms of base salary, STI (as % of base salary), TCC, LTI (as % of base salary) and TDC.

**Table 3.** CEO, CFO and OEDs remuneration levels of AEX, AMX and AScX listed companies (in EUR thousands)

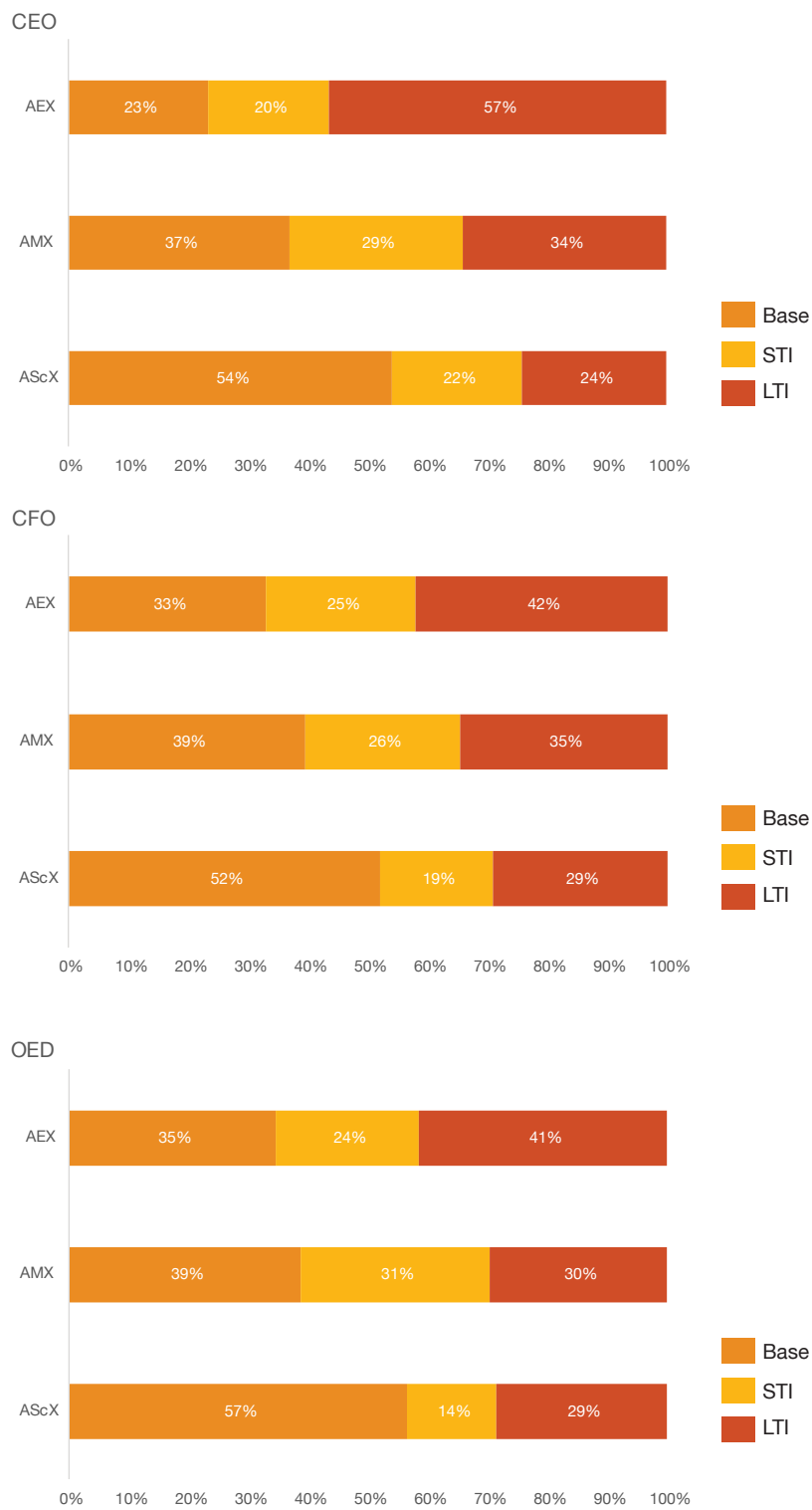
Index	Position	Pay level	Base salary (EUR '000)	STI (as % of base salary)	TCC (EUR '000)	LTI (as % of base salary)	TDC (EUR '000)
AEX	CEO	lower quartile	750	65%	1,540	100%	2,590
		median	1,000	100%	1,870	175%	4,300
		upper quartile	1,315	125%	2,915	315%	6,425
	CFO	lower quartile	615	55%	1,050	85%	1,530
		median	720	65%	1,265	120%	2,175
		upper quartile	800	95%	1,425	175%	2,700
	OED	lower quartile	510	50%	825	80%	1,210
		median	585	60%	995	90%	1,695
		upper quartile	680	70%	1,220	115%	1,965
AMX	CEO	lower quartile	510	40%	860	45%	1,195
		median	595	60%	1,060	100%	1,610
		upper quartile	745	85%	1,445	110%	2,310
	CFO	lower quartile	405	40%	635	55%	945
		median	445	55%	740	90%	1,130
		upper quartile	535	70%	815	100%	1,305
	OED	lower quartile	350	45%	730	60%	1,040
		median	420	60%	765	80%	1,085
		upper quartile	485	75%	855	105%	1,470
AScX	CEO	lower quartile	385	15%	580	5%	735
		median	475	35%	665	30%	875
		upper quartile	560	50%	775	55%	1,015
	CFO	lower quartile	305	15%	410	5%	545
		median	335	25%	460	20%	646
		upper quartile	425	40%	585	50%	665
	OED	lower quartile	325	10%	480	5%	665
		median	440	15%	555	15%	775
		upper quartile	600	20%	625	55%	884

\*) Remuneration amounts are rounded to the nearest EUR 5,000, remuneration percentages are rounded to the nearest 5%.



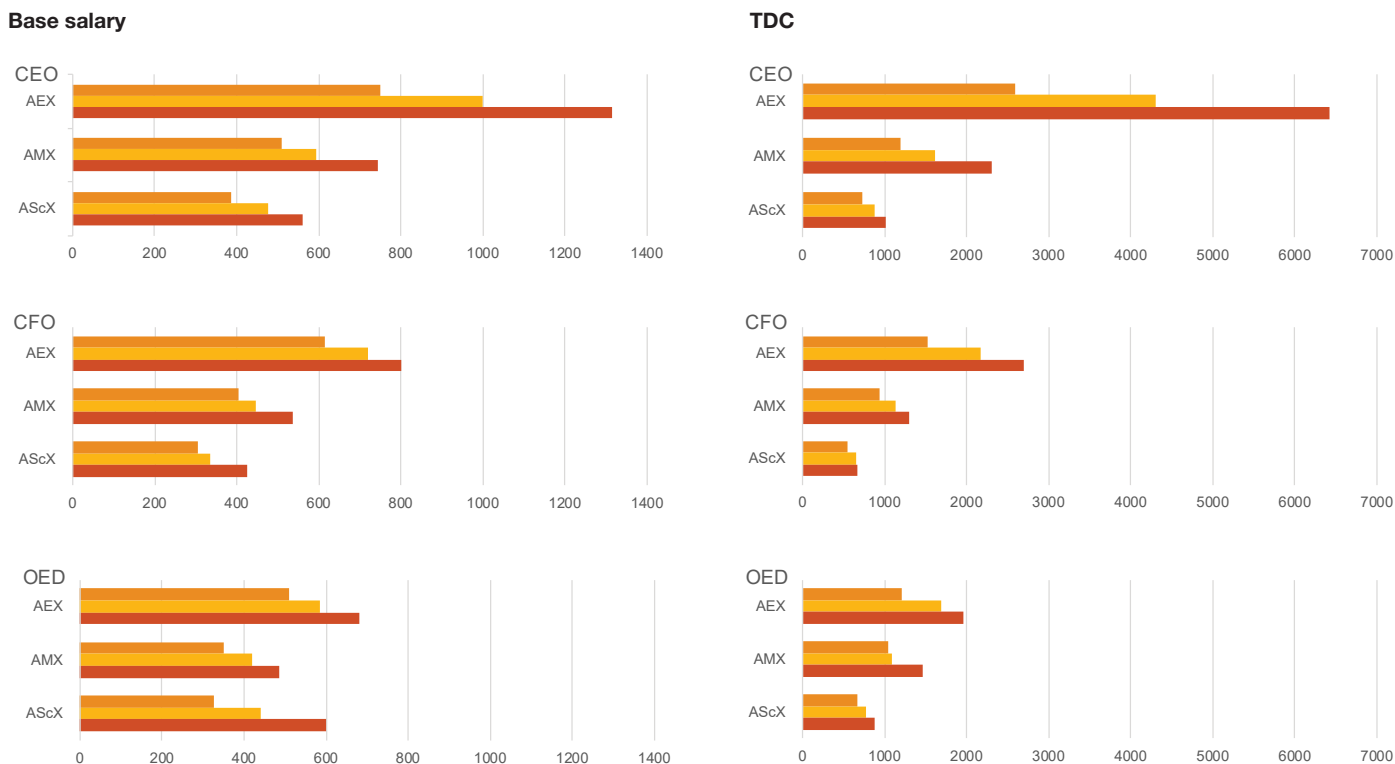
The figure below shows the mix between base salary, STI and LTI for CEOs, CFOs and OEDs per index.

**Figure 2.** CEO, CFO and OEDs pay mix of AEX, AMX and AScX listed companies



The figure below illustrates the base salary and TDC levels of CEO, CFO and OED positions per index.

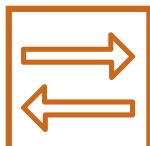
**Figure 3.** CEO, CFO and OEDs lower quartiles, median and upper quartiles of base salary and TDC of AEX, AMX and AScX listed companies (in EUR thousands)



AEX lower quartile base salary levels exceed upper quartile AMX base salary levels for the CEO and CFO positions.



AEX upper quartile base salary and TDC levels for the OED positions are significantly higher compared with upper quartile base salary levels for the OED positions in the AMX and AScX.



The quartile TDC range for the AEX is notably larger than that of the AMX and AScX indices. Furthermore, the pay mix for the AEX is geared more towards variable pay compared to AMX and AScX.



When comparing TDC levels, there is a large difference between the AEX and the AMX/AScX. The relatively high TDC levels for AEX companies imply a greater focus on pay for performance within AEX listed companies by using variable pay. It is important that a proper balance between remuneration level and sustainable long-term performance is ensured.

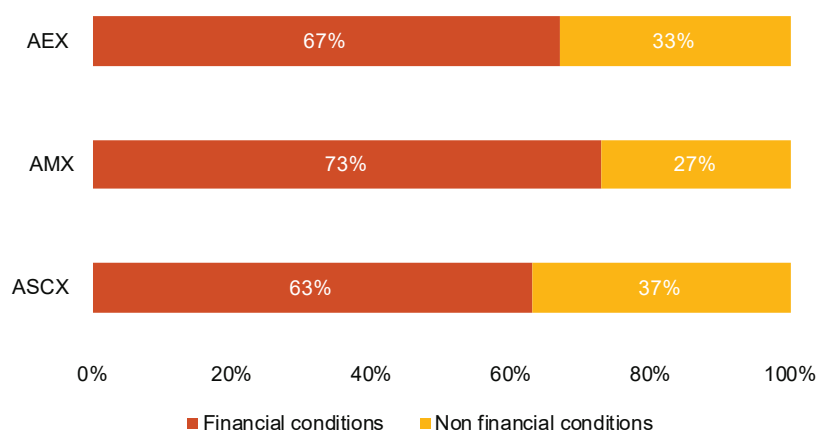
## Short-term incentives

Companies should ensure variable pay performance targets are aligned to the goals and business strategy of the organisation. Performance targets should, therefore, be tailored based on each company's specific circumstances to ensure that pay-for-performance is achieved.

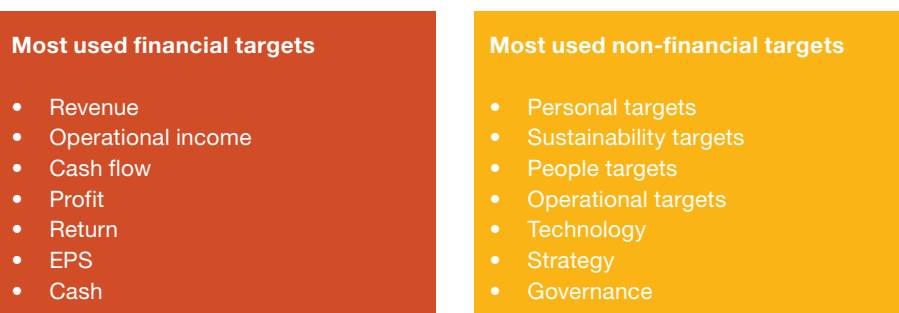
As an institutional investor advisor, Eumedion explicitly addresses the link between executive remuneration target setting and the company strategy in its revised overview of principles for an appropriate executive remuneration policy.<sup>1</sup>

The figure below illustrates the average deviation between financial and non-financial targets per index.

**Figure 4.** Financial versus non-financial performance conditions in STI plans: AEX, AMX and AScX



The overview below illustrates the most prevalent STI performance conditions applied among the companies listed on the AEX, AMX and AScX.

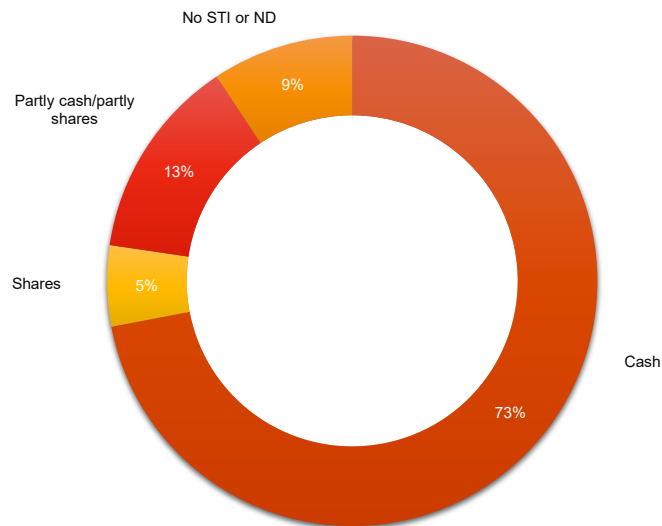


<sup>1</sup> 'Eumedion Uitgangspunten verantwoord bezoldigingsbeleid van het bestuur van Nederlandse beursvennootschappen', as of 1 January 2018.



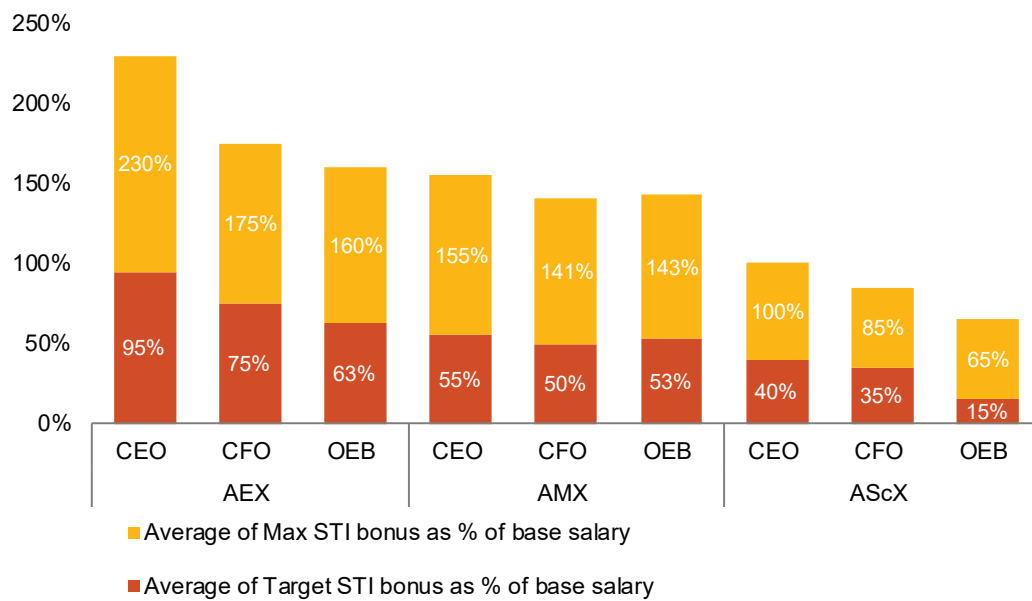
The figure below shows that the majority of the STI plans are paid out in cash. The pay-out of STI, partly in cash and partly in shares, is mainly observed in the financial services sector.

**Figure 5.** STI plans by settlement type. AEX, AMX and AScX (as % of plans observed)



The average target STI levels as % of base salary per index are shown below, including the average stretch levels.

**Figure 6.** Average target STI levels as % of base pay of AEX, AMX and AScX companies



## Balancing performance targets

Performance targets such as revenues and cash flow are prevalent in both STI and LTI plans. Careful consideration should be given when using similar performance targets in both the STI and the LTI plans since this would provide for pay for the same performance. Variable pay should be awarded for sustainable value creation, rather than as a reward for volatility.

**STI:** Targets are set annually and reward contribution to the company during the year.

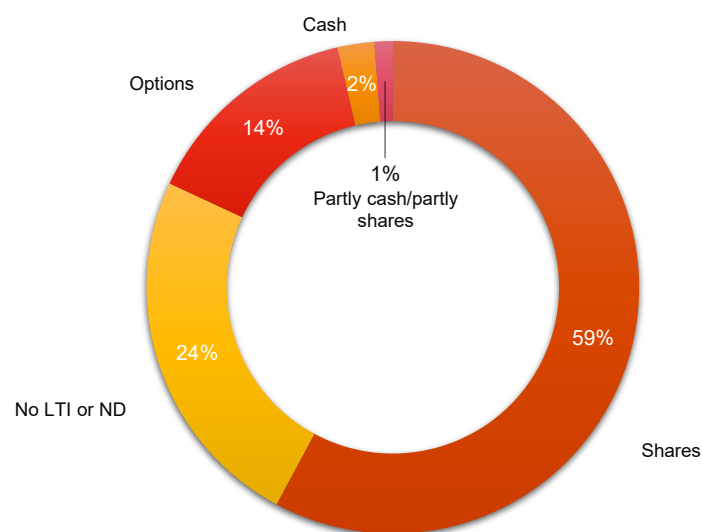
**LTI:** Targets are set per award to reward sustainable performance measured over multiple years consistent with the company's strategy.

## Long-term incentives

Long-term incentives should align the interests of executives with those of shareholders and should link reward to performance and value created over the longer term.

The majority of LTI plans is paid out in shares (59%). Significantly less is paid out in options (14%). Only 2% of the LTI plans is settled in cash. Only 1% of the plans settle partly in cash and partly in shares. A significant percentage of the companies listed on the Dutch stock exchange provide no LTI Plans to their executives (24%). Of this 24%, the majority of the companies not providing LTI Plans are listed in the AScX (55%), followed by companies listed in the AEX (25%) and AMX (20%).

**Figure 7.** Type of instruments granted by AEX, AMX and AScX (as % of the LTI plans observed)



The boxes below illustrate the most common LTI performance conditions as applied by AEX, AMX and AScX listed companies.

### Most used financial targets

- TSR
- EPS
- Revenue
- Return
- Profit
- Share Price
- Cash

### Most used non-financial targets

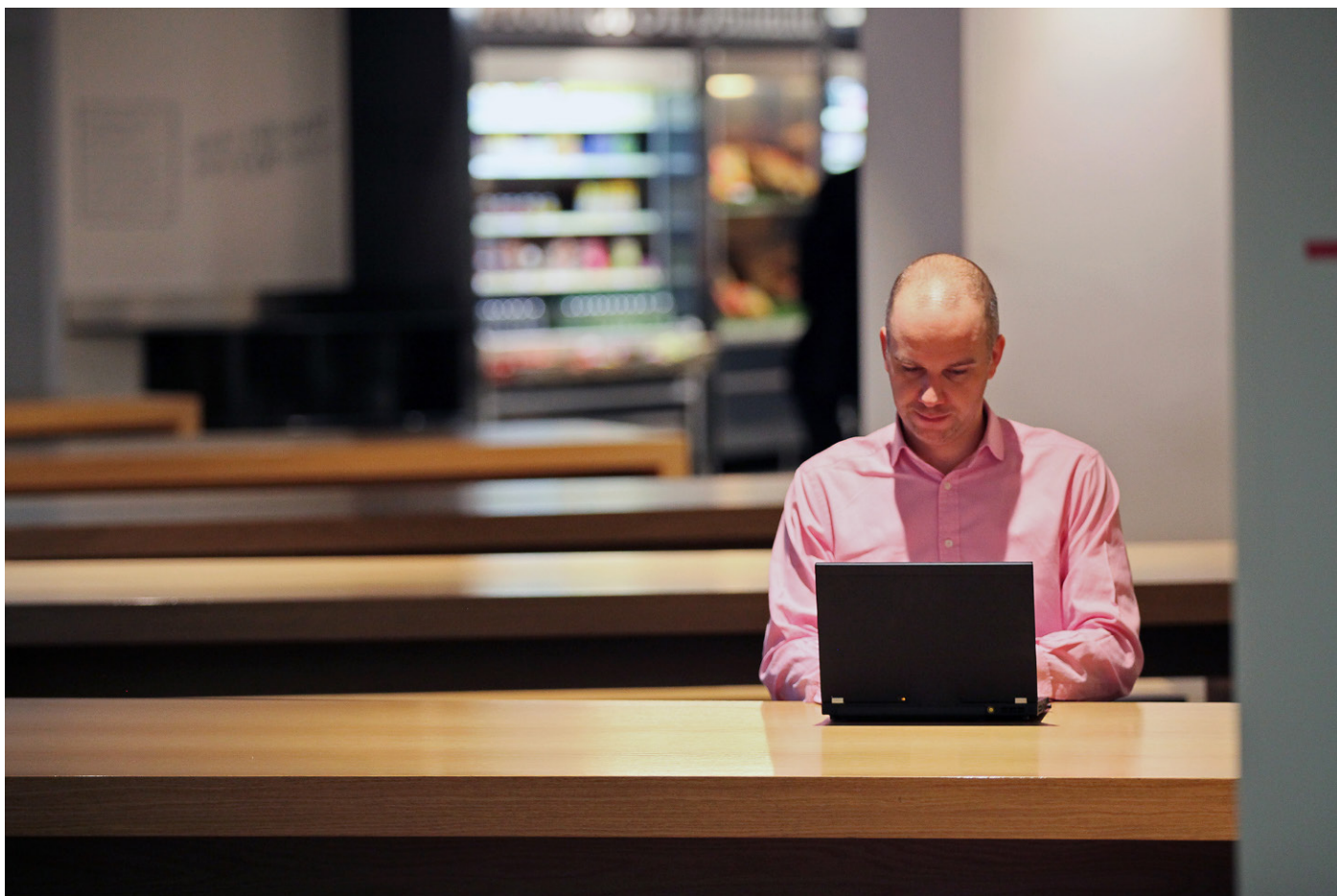
- Sustainability
- Governance
- Technology
- Environment
- Strategy
- Personal targets
- Corporate policy

Financial performance conditions are still most popular due to their perceived objectivity and apparent link to value creation. The increasing attention paid to social corporate governance means that we may see a shift towards the use of more non-financial performance conditions in the future and an increase in their weighting in variable remuneration plans. Non-financial performance conditions, based on for instance the SDGs, can help companies to comply with the SRD that requires European listed companies to align pay with the identity, mission and vision of the company.

However, companies should carefully design their incentives to avoid unintended consequences. The type of performance conditions and the balance between financial and non-financial performance conditions

selected should match the company's strategic objectives. Furthermore, these conditions should align with the long-term interests of the employees with that of shareholders and other stakeholders.

The supervisory board will have to consider a remuneration ideology based on a widely supported vision of the success of the company, their values, purpose and the views of society, as required by the SRD. However, it is challenging to tie pay to the desires of all stakeholders especially as they all have a different perspective on performance, whether it is financial or non-financial.







# Pay for performance

**Pay for performance has gained more attention over the last year and will become more important in the near future. Next to the effect of pay on performance, pay can have a relative effect on outcomes like pay satisfaction, turnover intentions and job satisfaction. When a company has a good working pay for performance plan, it enables the company to attract highly skilled employees and increase the retention of talented employees, which could increase the overall productivity. Moreover, society, investors, shareholders and proxy voters are attaching more focus on pay for performance than ever before. This chapter outlines different perspectives on (pay for) performance.**

## Governance and Society

Society sees remuneration as a financial expense that requires supervision and control on the one hand, and as a tool for improving the performance and motivation of employees on the other hand. Politicians and society, among others, criticised proposals for wage increases. Last year, many proposals to increase executives' remuneration were withdrawn after political and social protest. This year, companies were cautious with their proposals related to remuneration increases as the companies and executives were apprehensive about potential negative publicity over executive pay levels. Dialogue between the supervisory board and stakeholders may bring more comfort in this respect. Clear communication and explanation, while taking into account different perspectives, are key in dialogues with shareholders on remuneration matters. Especially since political parties and economists claim that employee salaries are lagging behind compared to salaries at the top. Although there has been a slight wage increase, many people do not notice this sufficiently in their disposable income due to rising costs. Increasing pay without underlying performance for executives and non-executives is, generally, not perceived as fair by society. Moreover, without increasing salaries of the general employee population, it increases the internal pay ratio and may affect the company's reputation.

## Shareholders

Many shareholders share the same vision on remuneration as the company. Shareholders generally associate remuneration with the economic performance of the company and expect that remuneration will be used as a management tool and be determined on the basis of a reference group. Next to the link with the financial

performance, there is greater attention on the link with the non-financial goals of the company. There has only been a moderate development in the use of both financial and non-financial performance conditions for executive remuneration. Public information about executive remuneration and more legal options for shareholders have created a more active role for shareholders in the field of remuneration. This is observed by the increased number of negative votes on remuneration over the last few years, certainly when there is no adequate link between performance and remuneration. Today, partly due to the influential proxy advisors, attention is mainly focused on the ratio between remuneration and performance. The implementation of the SRD into Dutch law with respect to voting procedures is further stimulating companies to reinforce the link between pay and performance. We expect this trend of increased shareholder involvement will continue and at the same time, due to legislation, will expand to the broader pay fairness landscape and will further increase the dialogue with stakeholders.

## Investors

2019 is an important year for large listed companies to gain confidence from society. The stewardship policy can contribute to the long-term success of companies. SRD requires that pension funds, life insurers and asset managers actively exercise voting rights at all general meetings of all EEA listed companies in which they invest. We observe that investors are of the opinion that it should be clear and easy to conclude from public remuneration disclosures how pay structures and incentive targets relate to the business strategy and its implementation, what management is incentivised to do and how pay-outs correlate with performance. Institutional investors usually have an extensive stock portfolio.

It is, therefore, difficult for them to follow the ins and outs of all companies in detail. That is why they frequently rely on the advice of voting consultancy firms. The influence of proxy advisors on the outcome of remuneration proposals is considerable. Companies should disclose their information clearly in order to enable investors to interpret proposals within the context of the company and place recommendations of proxy advisors in perspective.

### Proxy voters

Proxy voters, such as ISS and Glass Lewis, increasingly provide for a vote against when there is an insufficient link between remuneration and company performance. Many companies have continued to pay relatively high bonuses even when the company did not show an excellent performance.

If the objective of the incentive plan design is aligning pay with performance for shareholders, then what would be an acceptable bonus and what performance drives shareholder value?

ISS has updated its EMEA voting policy effective as from 1 February 2019 with respect to bonuses. According to ISS, the target bonus should typically be set at no more than 50 percent of the maximum bonus potential. Any payout above this level at target should be supported by a sufficiently robust explanation. The voting recommendation is based on more than the bonus payout alone. The actual voting recommendation would be considered alongside a number of other inputs, for example, taking into account the wider remuneration package. Accordingly, sustainable targets could also be taken into account.

#### Glass Lewis

Glass Lewis evaluates companies based on Sustainalytics guidelines and rates companies on a matrix which weighs overall ESG performance. Sustainalytics' ESG Ratings measure how well issuers proactively manage the ESG issues that are the most material to their business. Companies who are leaders in terms of ESG practices, or disclosure, have a higher threshold for triggering risk in this model.

#### ISS

ISS launched an Environmental & Social Quality Score which provides data to assist investors and other stakeholders to align business models, products, and services with the global long-term agenda set out in the SDGs. The data measures and identifies risk in environmental and social areas of concern through thorough analysis of company disclosures. Scores can also indicate best-in class disclosure practices and save time in performing peer comparisons.

#### 16.5% dissent level

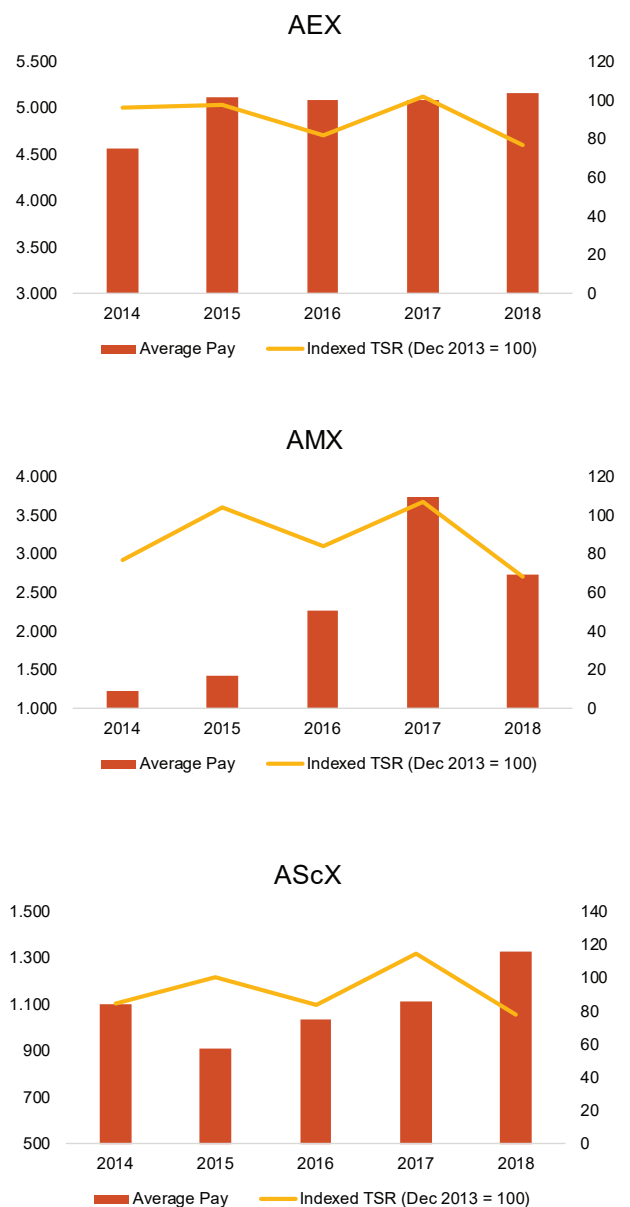
In 2018, this has resulted in a number of high dissent votes against remuneration proposals. Dutch listed companies faced an average dissent level of 16.5% on remuneration proposals in 2018.

However, since financial measures are the most objective measures, ISS and Glass Lewis established a pay for performance model that includes quantitative elements. The purpose of the pay-for-performance evaluation is to measure the alignment between actual pay and performance over a sustained period. The evaluation focuses on the realised pay for the lead executive, typically the CEO, for the period under consideration. Pay is then offset against total shareholder return (TSR) as this is one key common measure for investors in the context of a long-term pay-for-performance evaluation.

The figure below illustrates the Pay-TSR Alignment (PTA). This absolute measure compares the trends of the average CEO's annual pay per index and the average value of an investment in the company over the prior five-year period per index.



**Figure 8. Pay-TSR Alignment (in EUR thousands)**







AEX listed companies have a greater focus on pay-for-performance compared to companies in the AMX and AScX. Generally AEX listed companies have a certain amount of alignment between pay and performance, except for the last year. During 2018, the pay for performance alignment for AEX companies decreased providing for generally unchanged pay levels while TSR levels are lacking behind.

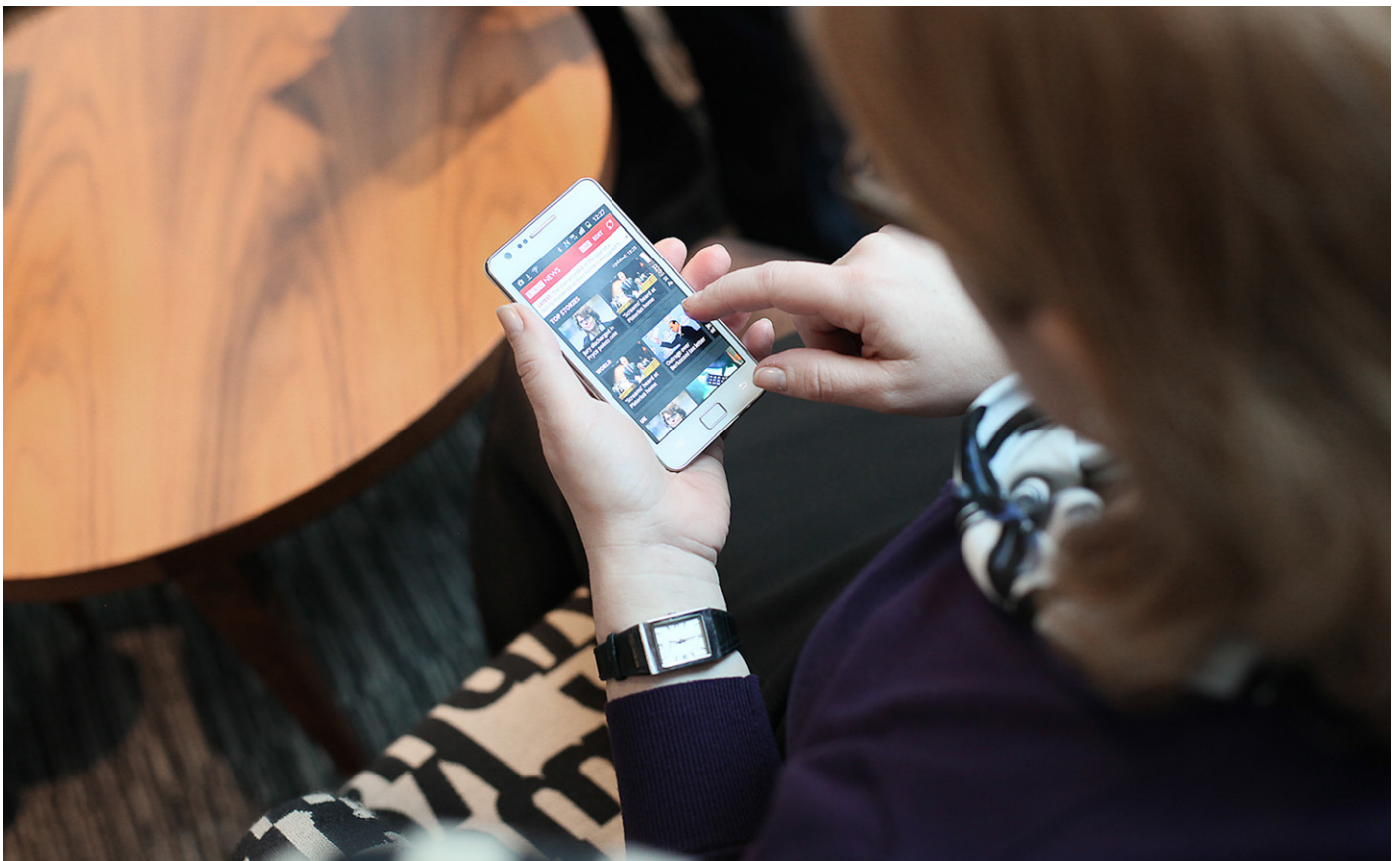


Pay for performance alignment is increasing for AMX listed companies during the last two years as we observe an increase in CEO pay levels in line with increased TSR levels followed by a decrease in CEO pay levels in line with decreased TSR levels.



AScX listed companies do not show any positive relation between pay and TSR performance.

The average alignment between pay and performance is limited as we observe from these figures. Furthermore, it could be questioned whether TSR is the (only) right element to measure performance. Most companies have a similar philosophy for their executive remuneration plans. Companies want to have incentives in place that drive shareholder value and then align the pay for the executives with their performance against goals that will achieve this objective. However, variable remuneration should support the company's sustainability and long-term performance, and be subject to a sound risk assessment. Shareholder value can also be increased by non-financial conditions, especially in the long-run. The philosophy with respect to executive remuneration plans is changing.



## Non-financial targets

The philosophy is changing as the focus on non-financial targets is increasingly important. Business leaders increasingly agree that non-financial measures are leading indicators for financial performance. Therefore, they respond to the development of shareholders' preferences and try to implement non-financial performance conditions in their long-term incentive plans. As the preference of shareholders develops more and more towards non-financial (Economic, Social and Governance (ESG) related) performance, business leaders are trying to translate sustainability factors into performance conditions. Some directors are already used to have conversations about ESG issues.

There is no silver bullet to translate the relevant ESG topics into performance conditions as there is no set list of performance conditions appropriate for all companies at all times. Although business leaders acknowledge the importance of sustainability factors, they may struggle to find ways to translate those into performance conditions. The increased emphasis on the ESG topics creates some further consternation as it is not always clear what issues properly fall under these topics or what exactly would be important for their company. The challenge for companies is how to determine the elements of sustainability that advances their chosen strategy and how to link these elements to pay incentives.

It could be helpful to look into the Sustainable Development Goals (SDG) outlined by the United Nations, which include already numerous ESG targets to get inspired.

Disclosure of philosophy and practices is key. Directors could examine guidelines from proxy voters to get insight into how investors are thinking about the topic. These guidelines can help provide a basic structure for starting conversations about ESG.

For most companies, the primary focus is on transparency with respect to disclosed practices and philosophies regarding ESG issues. We agree that the extent to which companies disclose their practices and policies publicly, as well as the quality of a company's disclosure on their practices, can be an indicator of ESG performance.

The guidelines drafted by the EU on reporting requirements for the remuneration report will be a further step to compare ESG performance among companies. For companies this is a key point as shareholders could base their vote in favour or against a remuneration proposal based on, among others, non-financial targets.





# Non-executive remuneration levels

## Time and responsibilities

The revised Dutch Corporate Governance Code that entered into force as of 1 January 2017 stipulates that remuneration for supervisory board members should reflect the time spent on and the responsibilities of their role. Besides, fees payable to non-executive directors should not be excessive relative to similarly sized companies in the same sector. External benchmarks are, therefore, not only relevant to remuneration of executive directors, but also to the compensation of non-executive directors. Further, the supervisory board members may not be awarded remuneration in the form of shares and/or rights to shares when complying with the Code.

The chairperson fee and the member fee both include the base fee as well as committee fees. As SRD requires that remuneration policies also have to be drafted and disclosed for supervisory boards as from the first AGM after the implementation date, it will be important to point out how these fees have been determined. The exact date for implementation in Dutch law is, at the date of publication of this survey, not yet known as the initial deadline for national implementation, being 10 June 2019, has already passed. However, the preliminary report on the proposed law is provided to Parliament on 10 September 2019 for discussion. Therefore, we currently expect that these EU guidelines, including additional requirements for Dutch companies, will be implemented in Dutch law in the fourth quarter of 2019.

The table below displays the total amount of fees for all non-executive directors of a company, as well as the total chairperson fee and the total member fee.

**Table 4.** Non-executive director (NED) remuneration of AEX, AMX and AScX listed companies

Index	Pay level	Total amount spent on NED fees (EUR '000)	Chairperson fee (EUR '000)	Member fee (EUR '000)	CEO base : Chairperson fee
AEX	lower quartile	525	110	75	6.8x
	median	715	130	80	7.7x
	upper quartile	835	165	100	8.0x
AMX	lower quartile	185	65	45	7.8x
	median	240	75	50	7.9x
	upper quartile	290	80	55	9.3x
AScX	lower quartile	120	50	35	7.7x
	median	170	60	40	7.9x
	upper quartile	225	80	55	7.0x

\*) Remuneration amounts are rounded to the nearest EUR 5,000.



Compared on a median level, a non-executive director within an AEX listed company earns approximately 1.6 times the amount of a non-executive director within an AMX listed company and about 2 times compared to an AScX listed company. Compared on a median level, a CEO within an AEX listed company receives a base salary that is approximately 7.7 the amount of the compensation received by a Chairperson within an AEX listed company.







# Relevant developments

## Governance

Below we have outlined some recent Dutch regulatory and legislative developments that may have an impact on executive and non-executive remuneration. Companies should consider what changes are required to their remuneration policies and practices in light of these developments.

### Internal pay ratio

The Dutch Corporate Governance Code, effective as per 1 January 2017, has introduced a provision that prescribes remuneration committees to consider the pay ratio within the company and its affiliated companies when drafting the executive remuneration policy. One of the options for fulfilling this obligation is the use of ratios to reflect the relationship with the remuneration of employees. As companies should either comply with the principles in the Code or explain why they deviate from the code, this obligation was not yet legally enshrined. That is happening now. With the implementation of SRD, companies are required, based on article 135a of the Dutch Civil Code (DCC), to explain in which way the remuneration policy takes into account the internal pay ratio. In addition, the remuneration report should include the pay ratio compared to the previous financial year.

2018 was the second year over which companies, according to the Corporate Governance Code, had to disclose their internal pay ratio. For the financial year 2017, only 76% of the companies in the AEX, AMX and AScX had reported their internal pay ratio. In 2018, 92%

of the companies in these indices have reported on their internal pay ratio. As this obligation will be part of the disclosure requirements under Dutch law effective for the financial year 2019, all companies have to disclose their internal pay ratio in the near future.

As neither the Dutch Corporate Governance Code nor SRD prescribe a specific calculation method to determine this ratio, there are differences in how companies calculate and report on the internal pay ratio. In May 2018, the commission for annual reporting (“Raad voor de Jaarverslaggeving”) has published a document including some guidance on the Dutch Corporate Governance Code. Although there is no “one method fits all” approach, the guidance sets out some relevant considerations.

The choices made by the company to calculate their internal pay ratio will depend, among other things, on the way in which the company is organised, the international spread, any obstacles arising from (privacy) legislation and what is customary in one’s own sector. If the company has included the remuneration ratios, as referred to in the Code, it must be explained which calculation method has been applied and which choices have been made in the calculation in different cases.

The most common calculation method currently applied in the Dutch market is:



Annual pay level CEO

Average annual pay level all employees excl. the CEO (on FTE basis)

The figure below shows the average pay ratio per index.

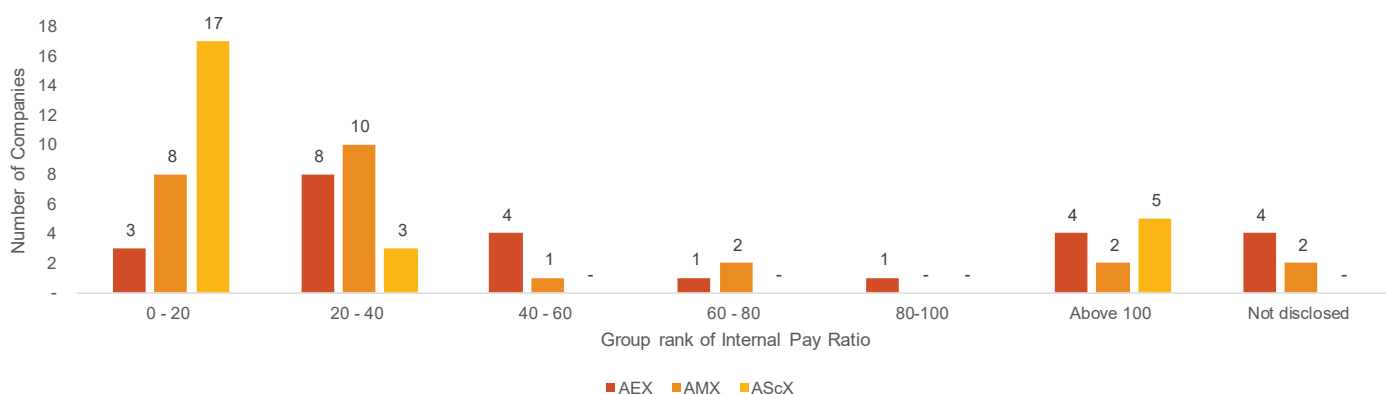
**Figure 9.** Internal pay ratio (average pay ratio as disclosed in annual reports per index)



**i** The pay ratio aims to provide a picture on the development of the relationship between executive remuneration levels and those of employees. Rather than the outcome itself, the relevance of the ratio can be found in the development of the ratio over time and as input for the remuneration committee to take the responsibility to demonstrate how pay levels align across the company.

The figure below shows the ranges of internal pay ratios applicable over the 2018 reporting year for AEX, AMX and AScX listed companies.

**Figure 10.** Number of companies within the different internal pay ratio ranges



**Relevant considerations:**

- Reference group executives: This could be the highest earner or the entire Management Board. Directors are in any case understood to be the statutory directors of the company to which the report of the Supervisory Board relates. If the company has a 1-tier structure, it is obvious that only the executive directors should be included in the calculation.
- Representative reference group: The employees included in the calculation of the pay ratio may depend on the geographical scope of the company, other holdings and the nature of employment.
- Remuneration of reference group: It is possible to use either the average or median remuneration.
- Date: The effective date in determining the pay ratio could be the end of the fiscal year or half way.
- External pay ratio: compare/review internal pay ratio against pay ratio's of reference companies in the market.



## Equal pay for equal work – legislative proposal

Next to the disclosure requirements on the internal pay ratio, the attention towards transparency around equal pay has significantly increased over the past years, amplified by the broader themes of equality and fairness in society.

Equal pay laws have existed throughout the world in different forms for over 50 years. Nevertheless, the progress made is still insufficient and large pay gaps still exist between men and women. However, employers are not always aware of this. Therefore, several countries have introduced further legislation in this field. The UK has attracted much attention on its gender pay legislation that was implemented in 2017. Iceland introduced equal pay legislation in 2018 and Switzerland has recently agreed on a revision of the equal pay regulation.

In the Netherlands, a bill has been published on 7 March 2019, based on the Icelandic model, to expand awareness and to further level pay between men and women. Based on the proposed legislation, companies should not only provide insight into the pay levels of their employees but may also be confronted with legal action with huge potential financial and reputational implications.

Next to national legislation, legislation is also announced for banks and investment firms on a European level (CRD V). As from 2021, the new European regulation for banks and investment firms requires a “gender neutral” remuneration policy, meaning that policies and practices should be based on equal pay for women and men for equal work or work of equal value.

**Table 5.** Overview Dutch legislative proposal on equal pay among women and men

Legislation	‘Wet gelijke beloning vrouwen en mannen’
Type	Certification process where certificates are valid for 3 years and certificates are kept in a public register
Company size	>50 employees
Burden of proof	On the employer
Reporting obligations	The wage difference between women and men within the company, who perform work of equal value or, when that is impossible, work of almost equal value. This should be complemented with an action plan to close the gap, if any. Companies should support their calculation with: <ul style="list-style-type: none"> <li>• Work experience (in years)</li> <li>• Appointment (hours per week)</li> <li>• Educational attainment</li> <li>• Job level in accordance with job classification at the company</li> </ul>
Compliance	Non-compliant until an official certificate has been issued. This certificate has to be renewed every three years
Who issues the certificates	The Social Affairs and Employment Inspectorate (“SZW”) becomes the supervisory authority
Sanctions	Significant fees of up to EUR 250,000 per violation

### Equal pay versus the gender pay gap

The gender pay gap is, at its simplest, the difference between the average wages of men and women, regardless of their seniority. Equal pay is a different, but connected issue, which is about pay differences between men and women for ‘like work’, ‘work of equal value’, or ‘work rates as equivalent’. This has been prohibited under Dutch law since 1980.

In practice, equal pay is still determined as remuneration of women offset against remuneration of men. Women at the top has been high on the political and social agenda for several years now. Gender diversity within companies can be a very challenging issue and may require cultural change.

The desired 30% women at the top is an aim for many companies that is not yet accomplished. Eumedion participants have requested companies to properly consider gender as part of the recruitment and nomination process and to take concrete measures in attracting a diverse range of candidates. Also institutional investors call for action. For example, Glass Lewis has updated its Continental Europe Policy guidelines. It recommends to vote against the nominating committee chair if the desired 30% women and 30% men is not applicable to the board and has not disclosed any cogent explanation or plan to address the gap in board gender diversity.

The directive regarding the disclosure of diversity information requires that large undertakings and groups report on their diversity policy. Many countries have enacted further requirements into domestic law. However, measures adopted by EU Member States with respect to gender equality are not harmonised across Europe, so companies may assess the opportunity to act proactively in this area and make sure that their group applies gender-neutral remuneration policies and can increase

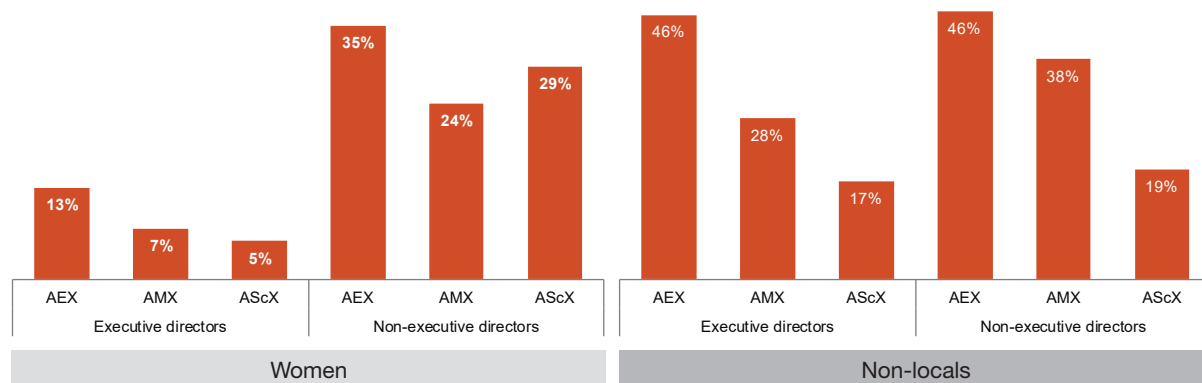
women's representation at the top levels across the countries in which it operates.

The focus of equal pay is expanding towards broader but related themes. The UK is currently exploring whether it should expand the existing gender pay gap-reporting regime to include the collection of data on employers' ethnicity pay gaps. It seems likely that an ethnicity pay gap reporting requirement will make its way into law in some form. Not only companies in the UK should take the developments in UK legislation into consideration. Like the gender pay discussions, countries may be following the lead of the UK.

The average percentage of women and non-locals, based on the country of the headquarters and the nationality of the individual, in executive director and non-executive director positions for the AEX, AMX and AScX are displayed below.

The figure below illustrates the extent of diversity with respect to gender and ethnicity.

**Figure 11.** Percentage of women and non-locals in executive and non-executive positions



## Equal pay – how to act

As the dimension of equal pay is expanding outside the boundaries of gender, we recommend to look at the broader picture and involve all elements of the pay fairness landscape, including gender, ethnicity, age, etcetera.



As the disclosure requirements around the topic increase, and, if legislation will be implemented, may even result in financial fines, we recommend that companies develop a clear view of what dimensions of fairness are relevant to their business, workforce and culture. The answers will be different for different companies and need to be supported by clear and proactive pay fairness reporting, which explains how fairness is viewed and measured, sets out plans to achieve these aims and tracks progress against objectives. In this respect, we recommend companies to take the following actions:

- Get the data in order
- Think past gender
- Create a vision for equal pay
- Educate and communicate the vision to your employees
- Participate in the dialogue

## Implementation Shareholders' Rights Directive

### Its main purpose

1. To encourage long-term shareholder engagement by facilitating the exercise of shareholder rights
2. To enhance transparency
3. To increase directors' accountability and reinforce the link between pay and performance

On 20 May 2018, the European Parliament published a revision of the Shareholders' Rights Directive (SRD). The Directive applies to listed companies with a registered office in a member state of the European Union whose shares are listed on a regulated stock exchange in the European Union.

### Shareholder engagement

The Directive establishes specific requirements in relation to the exercise of certain shareholder rights attached to the voting shares of EU-listed companies and aims to encourage shareholder engagement for the long term. To achieve this, the directive provides specific requirements in relation to:

- the identification of shareholders, especially in the presence of complex chains of intermediaries and/or in a cross-border context;
- transmission of the information;
- facilitation of the exercise of shareholder rights; and
- non-discrimination, proportionality and transparency of charges levied by intermediaries.

The SRD includes a say-on-pay that relates to both the remuneration policy of directors and supervisory directors and the remuneration report. More transparency is required, making it easier for shareholders to be involved. Moreover, these elements bring about a strengthening of the relationship between the remuneration and performance of directors.

### **Shareholder's right to vote on the remuneration policy**

The remuneration policy for both the Management Board and Supervisory Board, of EU listed companies in the Member States will be subject to the vote of shareholders at the annual general meeting ("AGM"). Shareholders base their vote on a broad range of remuneration issues, including pay for performance and equal pay. Shareholders vote on the remuneration policy must occur at least every four years or preceding a material change in the firm's remuneration policy. The remuneration policy and the results of the ensuing vote must be disclosed on the company's website during the period that the approved remuneration policy is in effect.

### **Binding vote of shareholders**

In the Netherlands, the shareholders' vote will be binding. Once approved, directors can only receive remuneration in accordance with the approved remuneration policy. When a company has an existing policy in place that has been submitted and approved by shareholder vote, and shareholders do not approve the new version of the policy, directors will be paid in accordance with the existing approved policy. In this instance, a revised, new policy will thereafter be subject to the shareholders' vote at the following AGM.

### **Exceptional circumstances**

Member States may allow exemptions from applying the remuneration policy only in exceptional circumstances: e.g. the policy would adversely affect the company's long-term interests, its sustainability goals and/or its financial viability. In such case, the directive requires that the company explains under which procedural conditions the exceptions may be applied, as well as the elements of the policy that can be subject to such exemptions.

### **Required content includes employees' pay and working conditions and shareholders' view**

The remuneration policy should contribute to the firm's business strategy, long-term interests and sustainability ambitions, explain how it would contribute to achieve these objectives and describe the method used to determine to what extent the performance criteria are met. The policy should describe in clear and understandable terms the various components of directors' remuneration, including fixed and variable remuneration and all bonuses or other benefits in any form and their relative proportion. The proposed policy should indicate the awards and performance criteria under which any variable remuneration is paid. Financial and non-financial performance conditions should be included and, where appropriate, consideration should be taken of environmental, social and governance (ESG) factors. The same requirements apply to share-related remuneration, along with the requirement to mention the deferral, retention (if applicable) and vesting period in the policy.

One further provision of the directive requires that employees' pay and general working conditions must be taken into account in the remuneration policy. This provision would be enacted via an explicit comparison of the directors' remuneration for the company in question with the average remuneration of the company's full-time employees, excluding directors.

Additional remuneration related information must be included in the remuneration policy, such as the duration of the contracts or arrangements with directors and the applicable notice periods, the main characteristics of supplementary pension or early retirement schemes and the terms of the termination and payments linked to termination.

Furthermore, the remuneration policy should explain the decision-making process for the adoption of the remuneration policy, its review and implementation, including measures to avoid or manage conflicts of interests and, where applicable, the role of the remuneration committee or other committees concerned.

A revised remuneration policy must explain all significant changes to the policy and how it takes into account shareholders' votes and views on the policy and reports since the most recent shareholders' vote on remuneration.



### Shareholder's right to vote on the remuneration report

The remuneration report of the most recent financial year will be subject to the advisory vote of shareholders. It should include a comprehensive overview of the remuneration (meaning also all benefits in whatever form) awarded or due to each individual director in accordance with the remuneration policy. If the shareholders disapprove the remuneration report, the next year's report will have to explain how the shareholders' vote has been taken into account.

Guidelines on the remuneration report under SRD have been drafted by the EU. The aim of these non-binding guidelines is to help companies disclose clear, understandable, comprehensive and comparable information on individual directors' remuneration which meets the requirements of the Directive. Furthermore, the guidelines should contribute to a better comparability of the remuneration of the directors of the European listed companies and to a better insight into the remuneration practices. The EU is currently in the process to facilitate comparability between companies by drafting a further standardised format that companies can and should use consistently to disclose the required information. The remuneration report should be publicly available on the company's website for a period of 10 years. Beyond the 10-year disclosure period, the company must ensure that the remuneration report does not contain personal data on directors.

### Implementation

The deadline for all EU Member States to implement the provisions of the Directive in their national law was 10 June 2019. A remuneration report must be prepared and submitted to the AGM over the full financial year in which the law comes into effect. This means that for companies with 31 December as the reporting date, the remuneration report for financial year 2019 will have to be prepared in line with the new requirements and will be subject to an advisory vote on the AGM in 2020. It also means that the policies, for both the Management Board and Supervisory Board, should be brought in line with the Directive as soon as possible and approved at the AGM of 2020. Even if the policy is already in line with the new requirements, but the policy has been in place for more than 3 years, the policy should be part of the AGM in 2020 and should be approved again. For companies with 31 December as the reporting year, the first disclosure requirements will apply to the remuneration report over 2019, published in 2020.

Upon every material change and at least every four years, shareholders are entitled to give a binding vote on the remuneration policy at the general meeting of shareholders. EU Member States may provide for the vote to be advisory. According to the directive, the remuneration policy has to meet the following requirements:

- it should contribute to the company's business strategy, its long-term interests and sustainability, and it has to explain how it does so;
- it should be clear and understandable, and it has to describe the different components of fixed and variable remuneration;
- it should explain how the payments of the employees in the company has been taken into consideration when the remuneration of the directors was determined.

Furthermore, EU Member States must provide for the AGM to have a right to give an advisory vote on the remuneration report of the most recent financial year. Companies should explain in the remuneration policy how the votes of the AGM are taken into account.

### Current status

- Is remuneration policy in accordance with 2:135a Dutch Civil Code (DCC)?
- Is the current remuneration policy in place for less than 3 years?
- Is the current remuneration policy applicable for both MB and SB?

If at least one of the answers to the questions above is a "no", a new remuneration policy is required in 2020.

### AGM over FY19

If the remuneration policy is subjected to revision:

- Works Council has the right to advise prior to the AGM.
- Propose the revised policy to the AGM.
- Remuneration report over 2019 should be based on the new requirements and should be presented to the AGM, subject to the advisory vote of shareholders.

### Implementation in the Netherlands

Since these changes to Dutch law may require a revision of a company's current remuneration policy prior to the AGM in 2020, companies should already analyse the new requirements and the possible impact. Dutch companies with shares listed in the EU will have to prepare a new remuneration policy and obtain approval from the shareholders at the AGM in 2020 if (i) the current remuneration policy is older than three years, or (ii) the current remuneration policy is not in line with the requirements of the Directive.

A resolution to adopt the remuneration policy at the AGM in 2020 will require a majority of at least 75% of the votes

cast in the general meeting of shareholders, unless a smaller majority is prescribed in the company's Articles of Association.

The SRD is expected to be implemented in Dutch law soon. As the law will enter into effect immediately, it is important for companies to analyse the new requirements and the possible impact during the second half of 2019. In this planning, it is also key to take into account the required governance and the internal processes, including timing of Supervisory Board meetings and meetings with the Works Council.

## At a glance – What is new?

### Remuneration policy governance

- Applicable to Management Board and Supervisory Board;
- The policy has to be proposed to the AGM for approval at least every four years;
- Works Councils have the right to advise on the policy prior to proposing the policy to the AGM;
- Approval is subject to 75 percent majority of the votes cast at the AGM;
- The company is required to send an acknowledgment of receipt of the vote to the person who has released the vote electronically.

### Content, based on article 135a DCC

- The policy should be clear and comprehensible, whereby previous voting results, comments and concerns of shareholders on the remuneration policy are taken into account;
- The policy should explain:
  - The decision-making process that is followed for the adoption, review and implementation of the policy;
  - how it takes the pay and employment conditions of the employees of the company into consideration;
  - how remuneration is linked to the identity, purpose and values of the company;
  - how it takes into account the internal pay ratio;
  - how it takes into account the views of society – “maatschappelijk draagvlak”;
  - how financial and non-financial goals contribute to the above requirements and how share-based payments contribute to these requirements.

### Remuneration report governance

- Small and medium sized companies are no longer exempted from producing a (yearly) remuneration report;
- Shareholders have an advisory vote at the AGM;
- The report should be published on the corporate website after the AGM and accessible for 10 years;
- An auditor will verify whether the required elements are in place.

### Content, based on 135b DCC

- The report should explain how previous voting results, comments and concerns of shareholders on remuneration report are taken into account;
- The report should specify:
  - how remuneration fits within the remuneration policy and long-term performance of the company;
  - how financial and non-financial targets are applied;
  - the ratio between fixed and variable pay;
  - the yearly change in remuneration over the last five years in relation to the company performance and average remuneration, assuming a full working week, of employees who are not directors during this period, presented in a way that enables comparison (pay ratio);
  - any deviation from the decision-making process for the implementation of the policy and any deviation from the remuneration policy, with an explanation of the nature of the exceptional circumstances;
  - elements from 2:383c-e DCC that are not already required under 135b DCC.



# Financial services

## Act on Remuneration Policies of Financial Undertakings ('WBFO')

On 5 July 2019, the Act on the further remuneration measures for the financial sector (Wet nadere belonging-smaatregelen financiële sector, the Act) was published for public consultation. The Act will, among other things, propose the following amendments to the current remuneration rules as stated in the WBFO:

- Introduction of a statutory retention period for shares or similar instruments: Directors and employees of financial undertakings will be required to hold shares or similar instruments that are paid as part of fixed pay for a minimum period of 5 years;
- Social accountability in remuneration policy: Financial institutions need to report on the appropriateness of their pay practices with respect to the position of the institution in the sector and society at large. It is envisaged that stakeholders should be consulted in this respect; and
- Limitation of the so-called 'averaging-out' rule to exceptional situations: The scope of this exemption will be limited, which means that no averaging out can be applied to staff in control functions or staff that is directly involved in offering financial services to consumers.

In addition, it concerns the continuation of existing policy with regard to investment firms that exclusively deal on own account, as initiated by the Rutte-Asscher government and was supported by a broad majority in the Parliament on the adoption of the WBFO. In other words, investment firms that exclusively deal on own account remain exempted from the 20% bonus cap. The requirements to qualify as "local firm" will be removed because of a policy change by the Dutch Central Bank.

Furthermore, the Minister stated that he would refrain from introducing a so-called "claw back" option to reclaim fixed remuneration from management board members of banks that provide systemic risk and that require state aid, as this is not tenable under European law, according to the Council of State. He does point out that the Netherlands has the strictest laws and regulations in the field of remuneration in the financial sector in Europe.



The cap on the fixed remuneration for board members and senior management does remain in effect from the moment that state aid is granted (European requirement). The total remuneration of any such individual may not exceed 15 times the national average salary in the Member State where the beneficiary is incorporated or 10 times the average salary of employees in the beneficiary bank.

The exact timing of the introduction of the amendments is not yet clear, but it is expected that firms should apply the amendments as from 2020. The consultation ended on 30 August 2019.

## New EU Regulatory Directives

### Capital Requirements Directive V (CRD V)

After over two years of debate, agreement has been reached on the proposed directive amending the Capital Requirements Directive (CRD V). The proposed new prudential regime for investment firms, will remove most investment firms from the scope of CRD V and subject them to the specific remuneration rules in the new Investment Firms Directive (IFD) and Investment Firms Regulation (IFR). Consequently, the revised CRD V is likely only to apply to banks and similar investment firms.

The key remuneration elements of CRD V include:

- the bonus cap to apply to all banks and CRD investment firms irrespective of size;
- deferral, payment in instruments, and malus and clawback to apply to all but the smallest banks and CRD investment firms;
- the minimum deferral period to increase to four years;
- the 'de minimis' provisions to be limited to employees earning bonuses of less than EUR 50,000; and
- "gender neutral" remuneration policies to be required, meaning that their policies and practices should be based on equal pay for women and men for equal work or work of equal value.

The revised rules on capital and liquidity (CRR2 and CRDV) were published in the Official Journal on 7 June. Most changes will start to apply from mid-2021. Some will apply sooner. Although the changes evidently apply to CRR investment firms as well as banks, many EU investment firms will soon be removed from the scope of the CRR with the introduction of the new Investment Firms Regulation (see below).

In the meantime, the EBA will need to produce revised technical standards and guidelines (in particular on the new provisions on proportionality and how the EBA expects "gender neutral" remuneration policies to be implemented).

### Investment Firm Prudential (Capital and Remuneration) Regime

On April 16, 2019, the European Parliament voted to adopt the new legislative package revising the prudential framework for EU investment firms. At present, investment firms in the EU are subject to a prudential framework established under the Capital Requirements Regulation and Capital Requirements Directive (CRR/CRD IV). The IFR/IFD package aims to create a common prudential framework that is more sensitive to the particular risks faced by investment firms than the current CRR/CRD IV framework and is intended to be applied on a consolidated group basis. The IFR/IFD revises the existing remuneration framework for investment firms, which may result in more firms being captured, and to a greater extent, than under the existing remuneration rules.

The IFD includes remuneration and governance rules based on CRR/CRD IV and MiFID II. However, unlike the CRR/CRD IV framework, the IFR/IFD does not include any requirement for a bonus cap.

The IFR and IFD are expected to be published in the Official Journal of the European Union during Q3 2019 and will apply 18 months after entry into force. Firms should note that the texts contain additional detail on timelines, for example, on a transitional period for "class 2 and 3" firms to adjust to the new prudential regime.

### Dutch implementation of the EU Directives

Under both CRD V and IFD there is the ability for member states to use discretion, particularly with respect to setting proportionality thresholds and bonus cap ratios. It is reasonable to assume that the AFM and Dutch Minister of Finance will be reasonably consistent with the views they have expressed in the past. For example, it is likely that the Dutch regulators would consider decreasing the proportionality thresholds where they can and it is likely that they will implement a bonus cap for a larger group of firms than where the Directive does specifically mandate one. The Dutch Minister stated in his letter to parliament on 5 July that, for now, he did not want to comment on the local implementation as such.







# Appendix

## Companies included in this survey

Aalberts N.V.	Flow Traders N.V.	NIBC Holding N.V.
ABN AMRO Group N.V.	ForFarmers N.V.	NN Group N.V.
Accell Group N.V.	Fugro N.V.	NSI N.V.
Adyen N.V.	Galapagos N.V.	OCI N.V.
Aegon N.V.	Gemalto N.V.	Ordina N.V.
Air France-KLM S.A.	GrandVision N.V.	Pharming Group N.V.
Akzo Nobel N.V.	Heijmans N.V.	PostNL N.V.
Alfen N.V.	Heineken N.V.	Randstad N.V.
Altice Europe N.V.	Hunter Douglas N.V.	RELX N.V.
AMG Advanced Metallurgical Group N.V.	IMCD N.V.	Royal Boskalis Westminster N.V.
Amsterdam Commodities N.V.	ING Groep N.V.	Royal Dutch Shell A N.V.
Aperam	Intertrust N.V.	SBM Offshore N.V.
ARCADIS N.V.	KAS BANK N.V.	Sif Holding N.V.
ArcelorMittal	Kendrion N.V.	Signify N.V.
ASM International N.V.	Kiadis Pharma N.V.	Sligro Food Group N.V.
ASML Holding N.V.	Koninklijke Ahold Delhaize N.V.	Takeaway.com N.V.
ASR Nederland N.V.	Koninklijke BAM Groep N.V.	TKH Group N.V.
B&S Group S.A.	Koninklijke DSM N.V.	TomTom N.V.
Basic-Fit N.V.	Koninklijke KPN N.V.	Unibail-Rodamco-Westfield S.E.
BE Semiconductor Industries N.V.	Koninklijke Philips N.V.	Unilever N.V.
BinckBank N.V.	Koninklijke VolkerWessels N.V.	Van Lanschot Kempen N.V.
Brunel International N.V.	Koninklijke Vopak N.V.	VastNed Retail N.V.
Corbion N.V.	Koninklijke Wessanen N.V.	Warehouses De Pauw Comm. V.A.
Eurocommercial Properties N.V.	Lucas Bols N.V.	Wereldhave N.V.
Fagron N.V.	N.V. Nederlandsche Apparatenfabriek Nedap	Wolters Kluwer N.V.





# Read more

## Remuneration practices and trends

ISS Proxy Voting guidelines 2019	EMEA	2019	<a href="https://www.issgovernance.com/file/policy/active/emea/Europe-Voting-Guidelines.pdf">https://www.issgovernance.com/file/policy/active/emea/Europe-Voting-Guidelines.pdf</a>
Eumedion Uitgangspunten verantwoord beloningsbeleid	Netherlands	2019	<a href="https://www.eumedion.nl/nl/public/kennisbank/aanbevelingen/2019-uitgangspunten-verantwoord-beloningsbeleid-schoon.pdf">https://www.eumedion.nl/nl/public/kennisbank/aanbevelingen/2019-uitgangspunten-verantwoord-beloningsbeleid-schoon.pdf</a>
Glass Lewis 2019 Policy Guideline Updates	Netherlands	2019	<a href="https://www.glasslewis.com/2019-policy-guideline-updates-united-states-canada-shareholder-initiatives-israel-2-2/">https://www.glasslewis.com/2019-policy-guideline-updates-united-states-canada-shareholder-initiatives-israel-2-2/</a>
ISS Evaluating Pay for Performance Alignment	Europe	2019	<a href="https://www.issgovernance.com/file/policy/active/emea/European-Pay-for-Performance-Methodology-Overview.pdf">https://www.issgovernance.com/file/policy/active/emea/European-Pay-for-Performance-Methodology-Overview.pdf</a>
EU Shareholders' Rights Directive	Europe	2019	<a href="https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32017L0828">https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32017L0828</a>
Toepassing van SDG's door Nederlandse organisaties	Netherlands	2019	<a href="https://www.pwc.nl/nl/actueel-publicaties/assets/pdfs/pwc-sdg-booster-2019.pdf">https://www.pwc.nl/nl/actueel-publicaties/assets/pdfs/pwc-sdg-booster-2019.pdf</a>
The legislative equal pay landscape	Netherlands	2019	<a href="https://www.pwc.nl/en/insights-and-publications/services-and-industries/people-and-organisation/the-legislative-equal-pay-landscape.html">https://www.pwc.nl/en/insights-and-publications/services-and-industries/people-and-organisation/the-legislative-equal-pay-landscape.html</a>
Corporate governance and executive pay	Belgium	2019	<a href="https://www.pwc.be/en/news-publications/2019/corporate-governance-and-executive-pay.html">https://www.pwc.be/en/news-publications/2019/corporate-governance-and-executive-pay.html</a>
22nd CEO Survey	Global	2019	<a href="https://www.pwc.com/gx/en/ceo-survey/2019/report/pwc-22nd-annual-global-ceo-survey.pdf">https://www.pwc.com/gx/en/ceo-survey/2019/report/pwc-22nd-annual-global-ceo-survey.pdf</a>
Executive directors report	South-Africa	2018	<a href="https://www.pwc.co.za/en/assets/pdf/executive-directors-report-2018.pdf">https://www.pwc.co.za/en/assets/pdf/executive-directors-report-2018.pdf</a>
Executive Compensation & Corporate Governance Insights	Switzerland	2018	<a href="https://www.pwc.ch/de/publications/2018/executive-compensation_17_part-01.pdf">https://www.pwc.ch/de/publications/2018/executive-compensation_17_part-01.pdf</a>
Executive Compensation & Corporate Governance Insights	Switzerland	2018	<a href="https://www.pwc.ch/en/publications/2018/ExecutiveCompensation_18_Part-2.pdf">https://www.pwc.ch/en/publications/2018/ExecutiveCompensation_18_Part-2.pdf</a>
Executive Compensation & Corporate Governance Insights	Switzerland	2018	<a href="https://www.pwc.ch/en/publications/2018/ExecutiveCompensation_18_Part-03.pdf">https://www.pwc.ch/en/publications/2018/ExecutiveCompensation_18_Part-03.pdf</a>
The ethics of pay in a fair society	Netherlands	2017	<a href="https://www.pwc.com/gx/en/people-organisation/pdf/pwc-fair-pay.pdf">https://www.pwc.com/gx/en/people-organisation/pdf/pwc-fair-pay.pdf</a>



# Services



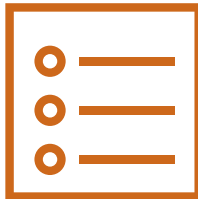
## Reward strategy

Assist with and advise on the right reward strategy aligned with the company's strategy incl.:  
Pay mix optimisation; Performance alignment; Remuneration policy; Market positioning;  
Stakeholder management



## Incentive design and target-setting

Short-term and long-term incentive plan design; Financial and non-financial (connection with ESG's) target setting; Tax & legal services; Accounting analysis and impact.



## Governance and regulatory

Corporate governance compliance; Disclosures; Diversity & Inclusion; Annual General Meeting preparation support ensuring alignment with the applicable laws and regulations (e.g. SRD, CRDV, WBFO).



## Reward in deals

Commercial, tax and accounting advice and equity structuring of transactions; Management support; Due diligence and retention; Financial modelling; Legal support; Comparison & integration on reward structures.



## Reward analytics and process improvement

Modelling and cost/benefit analyses on total reward; Fair value measurement for accounting and market value measurement for tax purposes, valuation of executive pay and scenario analysis; Relative pay for performance analysis; Process design & documentation; Implementation support; Communications; Training & presentations.



## Technology and Tools

Vendor selection support; On-site (implementation) support; HR Technology integration support; Dashboarding (Equal pay); ShareTax – online tax calculation tool for cross-border employees; and the online Executive LTI Valuation Information System (“ELVIS”) remuneration reporting tool.





# Contacts

If you would like to discuss the contents of this report, please contact one of the following experts:

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# “Stay ahead”

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