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Executive and non-executive remuneration survey 2016

Overview of AEX, AMX and AScX market practice

People and Organisation

September 2016

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Contents

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Introduction

Dear reader,

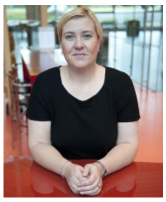
Despite the recent economic recovery public scrutiny of executive compensation has continued unabated. International discussions on say-on-pay have fueled debate on internal equity and the continued increase in levels of executive pay. More and stricter legislation on governance and disclosures has been introduced or is pending. In the Netherlands critics have questioned the effectiveness of variable compensation and are even challenging the pay-for-performance model as we know it. At the same time the volatility in the markets and the differences in growth in the world economy, pose challenges for many multinational companies. This is triggering questions on the alignment of executive pay with long-term value creation. In other words, is your executive remuneration policy fit for the future?

To help you answer this question we have analysed the pay of executives at Dutch listed companies (AEX, AMX and AScX) based on the remuneration disclosures included in the FY15 annual accounts. This publication provides a summary of the key outcomes, while taking legislative proposals into account and putting things into an international perspective. We have specifically addressed the discussions on internal pay ratios, share ownership practices and the remuneration of non-executive directors.

Although benchmarking and comparative data may be considered useful to validate your approach, we urge you to consider your company's performance culture and unique value proposition to ensure the effectiveness and appropriateness of your executive pay programmes.

We hope you find this survey an interesting and thought-provoking read.

Yours sincerely,

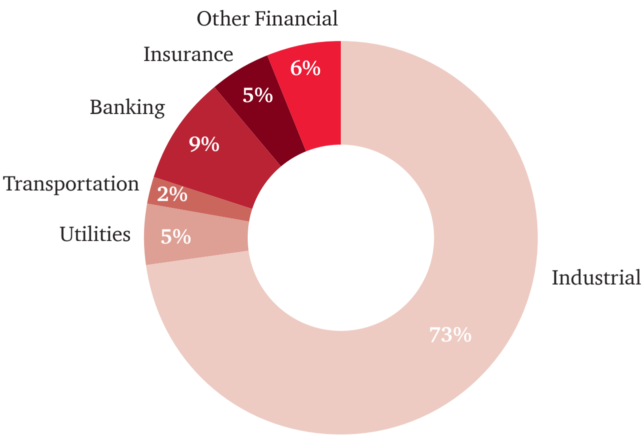


Janet Visbeen
People and Organisation | EMEA Reward Capability leader

Survey information and definitions

This survey includes data from companies from the AEX, AMX and AScX Euronext Amsterdam stock exchange based on the composition in March 2016.

Figure 1. Market capitalisation per sector



The leader of the pack is the industrial sector with 73% of the total market capitalisation, followed by banking with 9%, other financial with 6%, utilities and insurance with 5% each and transportation with 2%.

The following definitions are used in this publication.

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 that assume 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 positions of Chief Executive Officer (CEO), Chief Financial Officer (CFO) and Executive Director (ED) 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

Since this publication was launched we have maintained that executive remuneration is primarily driven by the size of a company, as best reflected in market capitalisation, total assets and revenues. In addition to these size indicators, business complexity and other industry-specific considerations play a role in determining executive remuneration.

The table below reflects the annual average base salary and TDC of the CEOs of all AEX, AMX and AScX listed companies, depending on their market capitalisation, total assets and revenue in 2015.

Fixed pay of top earners increased by approximately 2% in 2015. The gap between fixed and variable pay is, however, increasing.

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

Range	Market capitalisation (EUR billion)		Total assets (EUR billion)		Revenue (EUR million)	
	Base salary (EUR '000)	TDC (EUR '000)	Base salary (EUR '000)	TDC (EUR '000)	Base salary (EUR '000)	TDC (EUR '000)
Up to 0.1	€ 298	€ 472	€ 298	€ 418	€ 355	€ 863
From 0.1 up to 0.5	€ 482	€ 926	€ 400	€ 906	€ 404	€ 830
From 0.5 up to 1.0	€ 450	€ 827	€ 603	€ 1,466	€ 535	€ 1,512
From 1.0 up to 2.0	€ 612	€ 1,244	€ 512	€ 1,077	€ 623	€ 1,308
From 2.0 up to 5.0	€ 651	€ 2,279	€ 576	€ 1,672	€ 700	€ 2,096
From 5.0 up to 20.0	€ 944	€ 3,144	€ 940	€ 2,934	€ 873	€ 2,661
From 20.0 up to 100.0	€ 1,231	€ 3,912	€ 986	€ 3,535	€ 1,211	€ 3,472
Above 100.0	€ 0	€ 0	€ 1,349	€ 3,105	€ 1,430	€ 7,085

Source: PwC analysis based on Annual Reports and Remuneration Reports for 2015. Market capitalisation, total assets and revenue as at 31 December 2015 for all companies listed on the AEX, AMX and AScX as at our cut-off date in March 2016.

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

Index	Market capitalisation (EUR billion)	Total assets (EUR billion)	Revenue (EUR million)	CEO base salary (EUR '000)	CEO average annual TDC (EUR '000)
AEX	€ 19,218	€ 87,992	€ 25,794	€ 1,014	€ 3,249
AMX	€ 1,790	€ 3,348	€ 2,627	€ 540	€ 1,385
AScX	€ 294	€ 526	€ 534	€ 415	€ 784
AEX: AMX	10.73	26.28	9.82	1.88	2.35
AEX: AScX	65.43	167.31	48.29	2.44	4.14
AMX: AScX	6.10	6.37	4.92	1.30	1.76

**) Multiple of 10.73 means that the average market capitalisation of the AEX-index is 10.73 times the average market capitalisation of the AMX-index, whilst average base salary of the CEO is 1.88 times as high.*

Companies should strike a balance between executive remuneration and value creation. Investors expect that incentive plan metrics should stem from the company's strategy and be designed to motivate the behaviour and executive decisions that will lead to its successful execution.[1] For the 2017 annual report season ISS continues to focus on pay for performance, but also warns that, besides creating shareholder value, other metrics also need to be considered.

1 Evaluating Pay for Performance Alignment: ISS' Qualitative and Quantitative Approach.

Executive remuneration mix

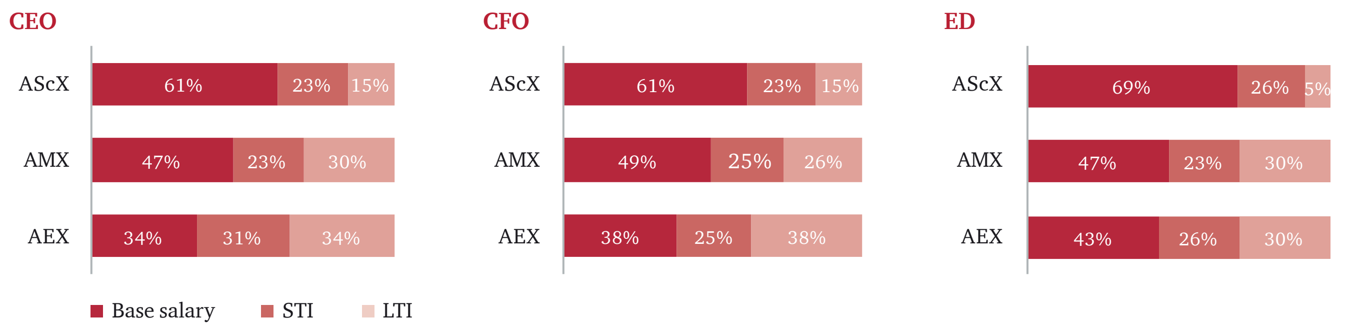
The table below details the lower quartile, median and upper quartile remuneration levels for the CEO, CFO and EDs of all AEX, AMX and AScX listed companies, in terms of base salary, STI (as % of base salary), TCC, LTI (as % of base salary) and TDC.

Table 3. CEO, CFO and EDs 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	€ 850	60%	€ 1,615	50%	€ 2,465
		median	€ 917	90%	€ 1,743	100%	€ 2,660
		upper quartile	€ 1,180	100%	€ 2,242	200%	€ 3,422
	CFO	lower quartile	€ 564	55%	€ 939	50%	€ 1,503
		median	€ 636	67%	€ 1,060	100%	€ 1,696
		upper quartile	€ 940	100%	€ 1,567	131%	€ 2,507
	ED	lower quartile	€ 495	50%	€ 792	50%	€ 1,139
		median	€ 635	60%	€ 1,017	70%	€ 1,461
		upper quartile	€ 666	70%	€ 1,066	100%	€ 1,532
AMX	CEO	lower quartile	€ 451	39%	€ 677	35%	€ 970
		median	€ 525	50%	€ 788	65%	€ 1,129
		upper quartile	€ 623	80%	€ 934	97%	€ 1,338
	CFO	lower quartile	€ 335	33%	€ 503	36%	€ 683
		median	€ 389	50%	€ 583	54%	€ 793
		upper quartile	€ 465	63%	€ 698	88%	€ 949
	ED	lower quartile	€ 353	28%	€ 529	25%	€ 758
		median	€ 431	50%	€ 647	65%	€ 927
		upper quartile	€ 458	61%	€ 686	82%	€ 984
AScX	CEO	lower quartile	€ 311	28%	€ 428	0%	€ 506
		median	€ 385	38%	€ 531	25%	€ 628
		upper quartile	€ 468	50%	€ 646	38%	€ 763
	CFO	lower quartile	€ 257	30%	€ 355	3%	€ 419
		median	€ 308	38%	€ 425	25%	€ 502
		upper quartile	€ 367	50%	€ 506	50%	€ 597
	ED	lower quartile	€ 257	19%	€ 355	0%	€ 373
		median	€ 280	38%	€ 386	7%	€ 406
		upper quartile	€ 350	50%	€ 483	50%	€ 508

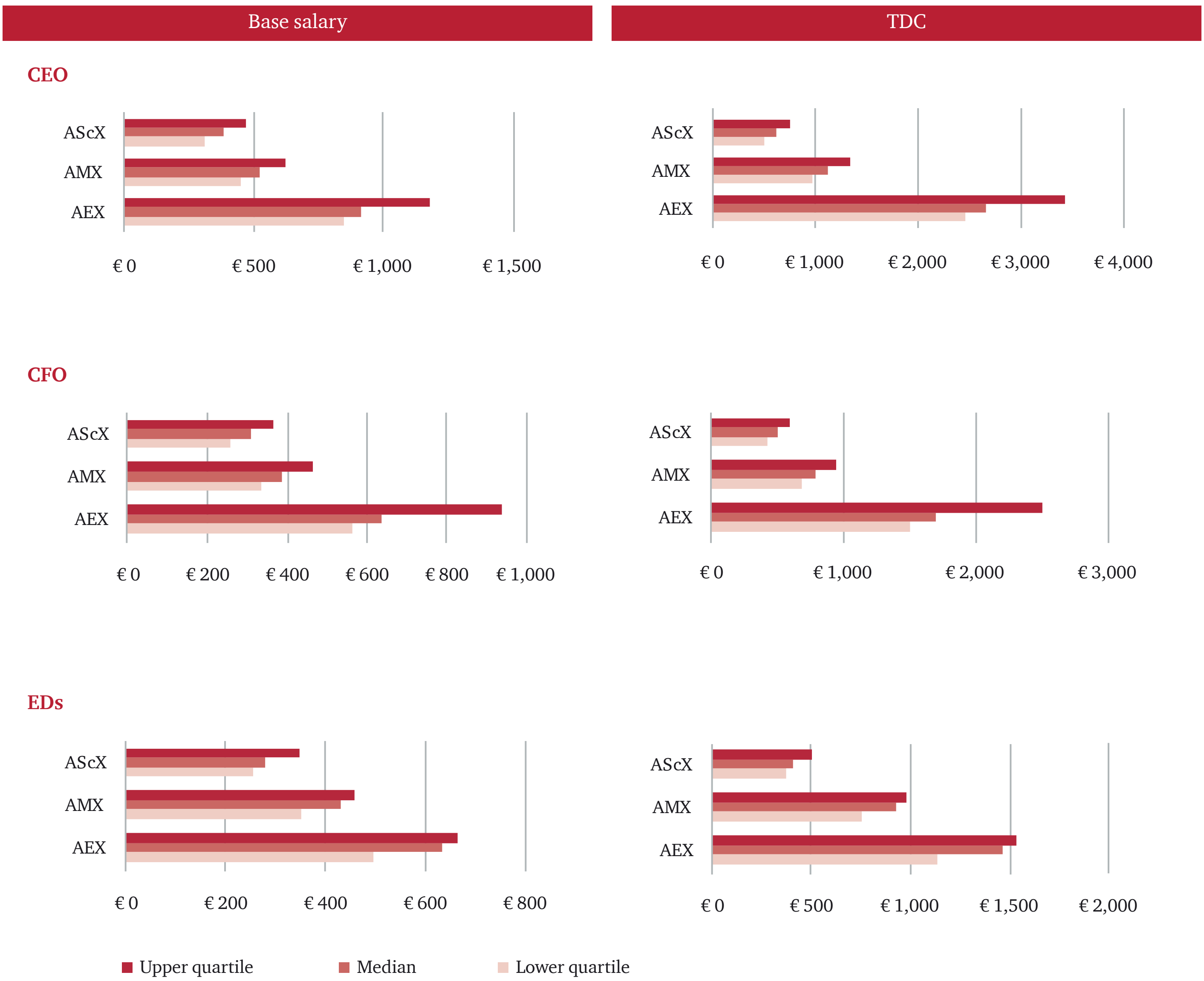
The graphs below show the mix between base salary, STI and LTI for CEOs, CFOs and EDs per index.

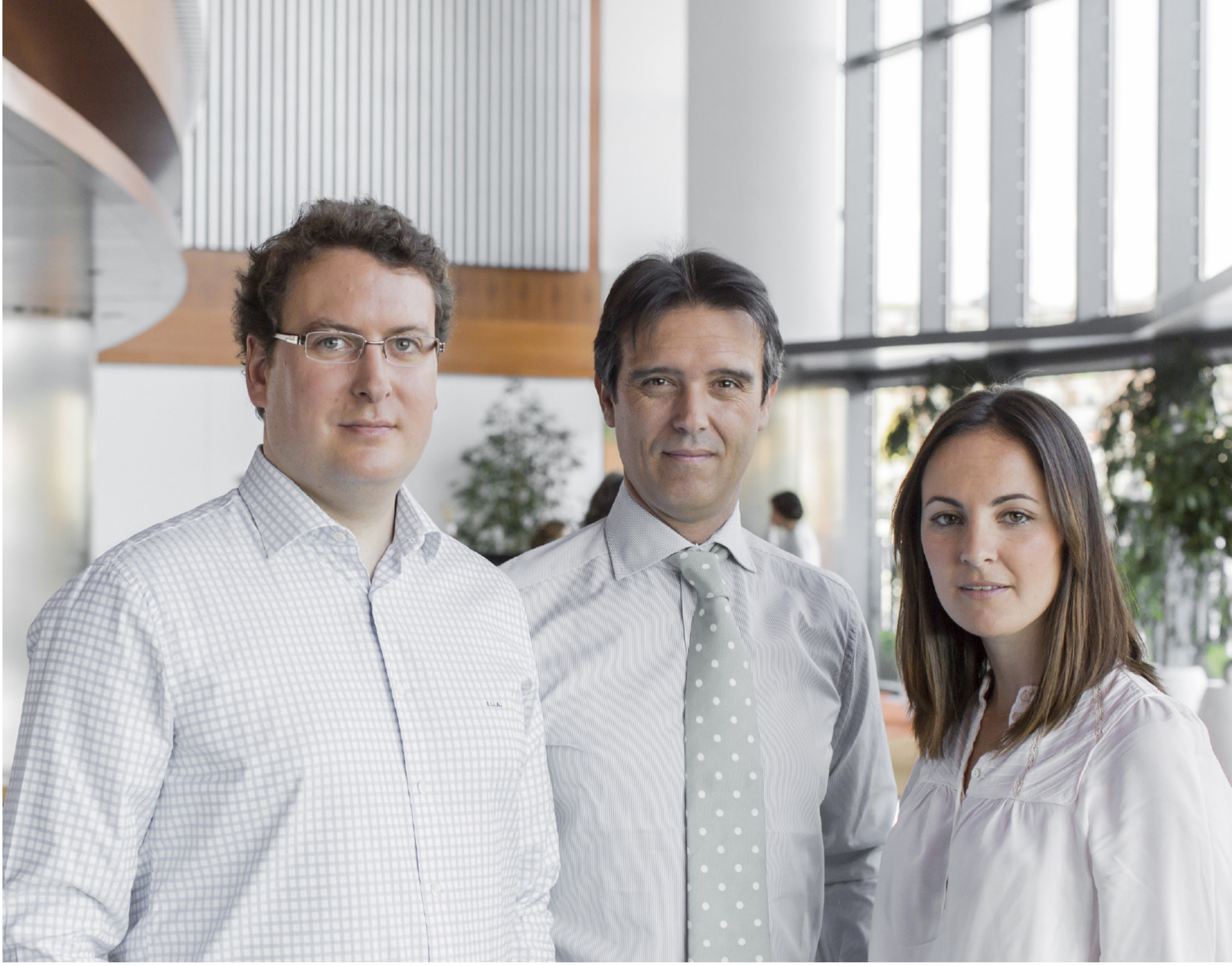
Figure 2. CEO, CFO and ED pay mix of AEX, AMX and AScX-listed companies



The graphs below illustrate the base salary and TDC levels of CEO, CFO and ED positions per index.

Figure 3. CEO, CFO and ED pay mix of AEX, AMX and AScX-listed companies (in EUR thousands)





Key findings:

AEX lower quartile levels are relatively aligned to upper quartile AMX remuneration levels, especially for EDs.

The quartile remuneration range for the AEX is notably larger than that of the AMX and AScX indices.

A large disparity exists between the upper quartile TDC of the AEX versus the AMX/AScX indices. High pay for exceptional performance is possible through variable pay, but it is important to ensure that the balance between executive remuneration and value creation is maintained.

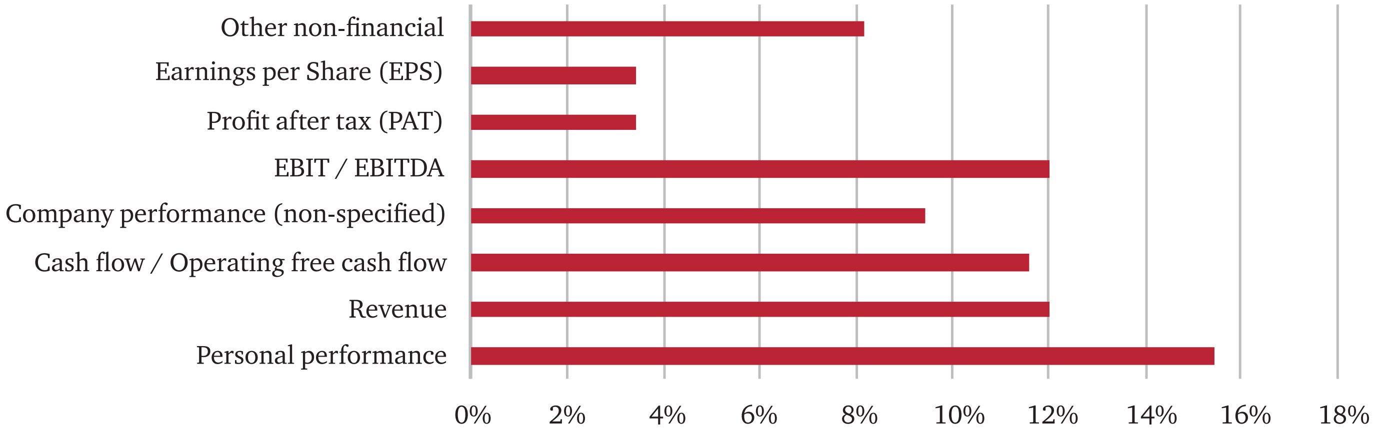
Short-term incentives

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

The link between strategy and remuneration is explicitly addressed in the proposed amendments to the Dutch corporate governance code that is described later in this publication.

The graph below illustrates the most prevalent STI performance conditions applied as percentage of companies.

Figure 4. Top 8 STI performance conditions (as % of companies): AEX, AMX and AScX



Balancing performance targets: Performance targets such as EPS, EBIT/EBITDA and Revenue are prevalent in both STI and LTI plans. Careful consideration should be given when using similar performance targets in both the STI and LTI plans. Variable pay should be awarded for sustainable value creation, rather than as a reward for volatility.

- **STI:** Targets are set annually and reward the 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.

In addition to regular annual STI and LTI awards, one-off bonuses are sometimes also paid to executives when a transaction is completed. These types of incentive payments should be given careful consideration due to possible conflicts of interest. For further information on this topic, please refer to the read more section in the appendices.

Target and stretch STI levels as well as the actual vs target STI pay-out per index are shown below:

Figure 5. Target and stretch performance levels

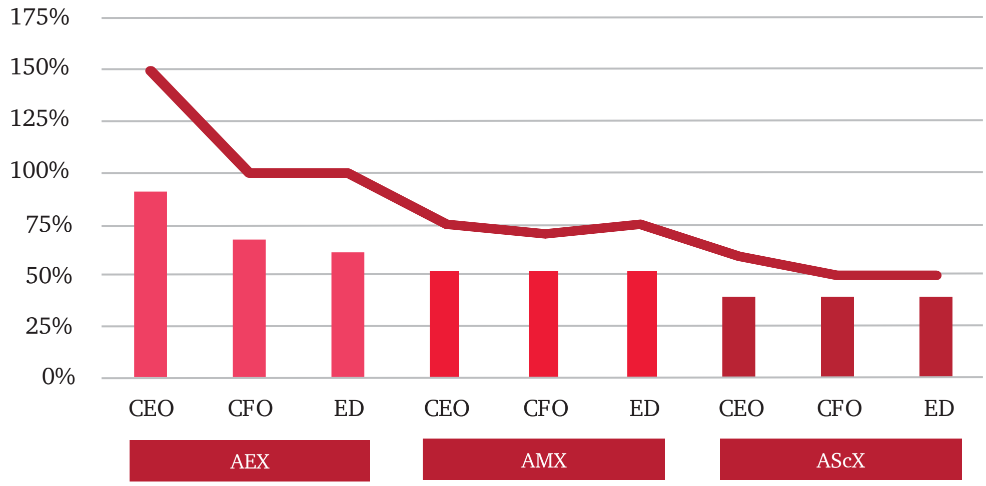


Table 4. Actual vs target STI payout

	CEO	CFO	ED
AEX	109%	110%	121%
AMX	115%	117%	115%
AScX	99%	100%	85%

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.

Settlement method: 86% of LTI plans are settled in shares, 10% in cash and the remainder in a combination.

Financial focus: 88% of LTI awards are linked to financial performance conditions.

Figure 6. LTI plans operated by AEX, AMX and AScX (as % of plans)

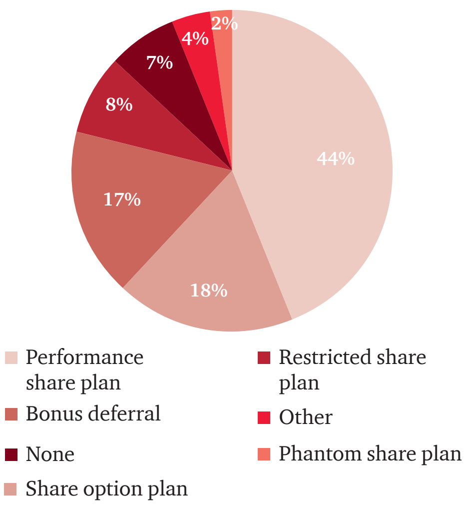
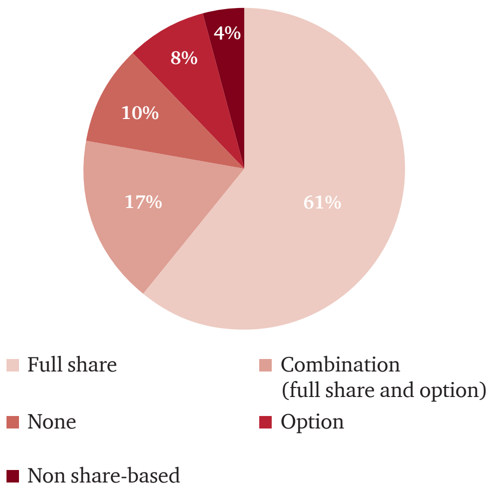
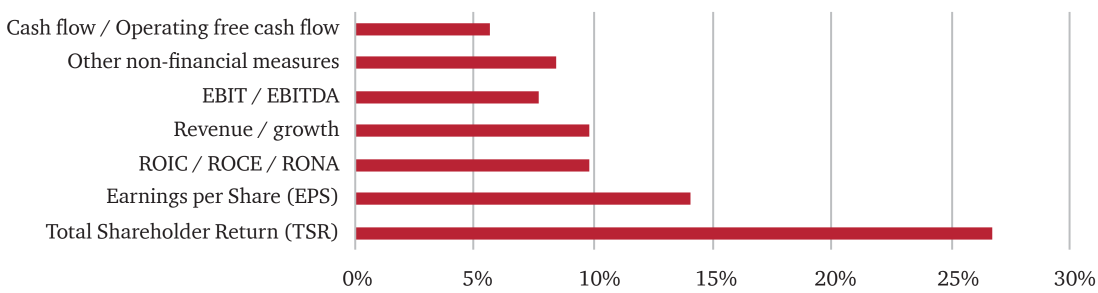


Figure 7. Nature of instruments granted by AEX, AMX and AScX (as % of companies)



The selection of appropriate performance conditions is based on factors such as the nature of the business model and industry-specific characteristics and may therefore vary significantly from one company to another. The graph below illustrates the most common LTI performance conditions as applied by AEX, AMX and AScX listed companies.

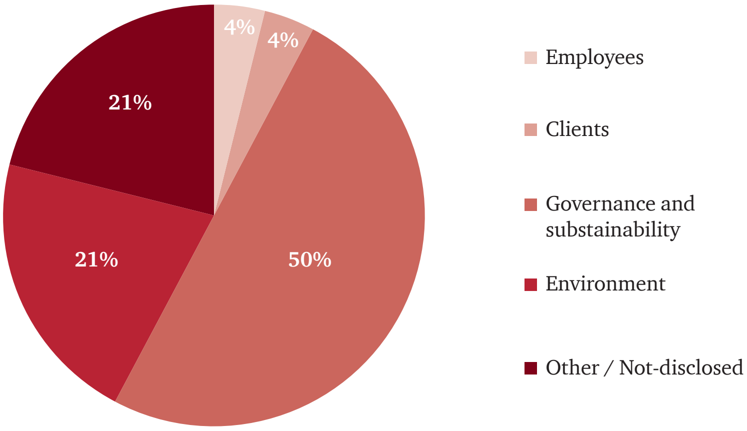
Figure 8. Top 7 LTI performance conditions (as % of companies): AEX, AMX and AScX



Although financial performance conditions are still the most popular due to their perceived objectivity and apparent link to value creation, there is a global and local trend towards also incorporating non-financial performance conditions.

The type of performance conditions and the balance between financial and non-financial performance conditions selected should match the company's strategic objectives and align the long-term interests of the employees with that of shareholders and other stakeholders.

Figure 9. Top LTI non-financial performance conditions (as % of non-financial conditions): AEX, AMX and AScX



12% of LTI awards linked to non-financial performance conditions.

The graph illustrates the most common LTI non-financial performance conditions of AEX, AMX and AScX-listed companies.

To place the results from our annual remuneration survey in an international context, we have compared the Netherlands with the outcomes of the Global Equity Insights 2016 of the GEO (Global Equity Organization). Based on this comparison the trends in the Netherlands are consistent with the international developments regarding executive pay, especially within Europe.

Figure 10. Prevalence of LTI plans worldwide

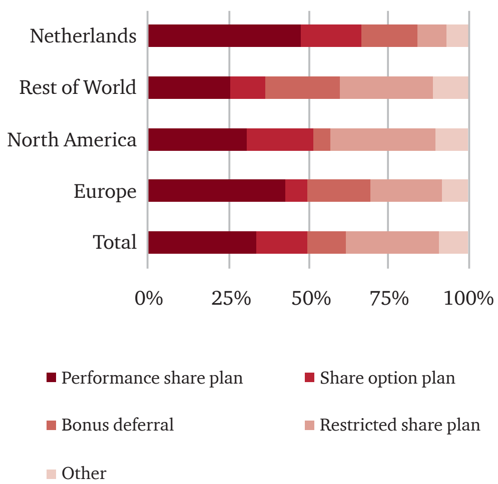
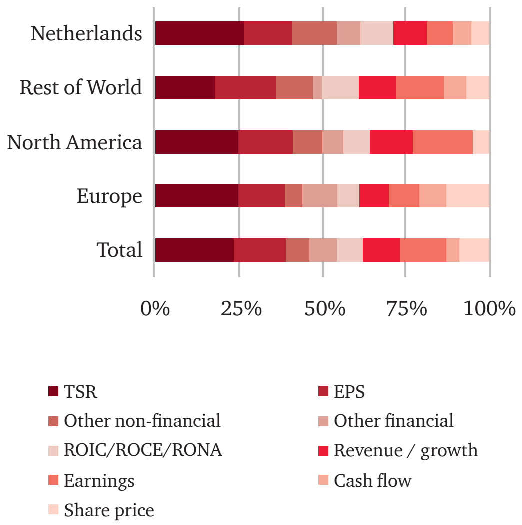


Figure 11. Prevalence of LTI performance conditions worldwide



Non-executive remuneration levels

Time and responsibilities

The Dutch corporate governance code proposal dated 11 February 2016 introduced a new best practice provision which stipulates that remuneration for supervisory board members should reflect the time spent on, and the responsibilities of, their role.

The duties and position of supervisory board members should be considered. Expectations and requirements are higher, as is the risk of reputational damage.

Key findings from this year's remuneration survey:

Table 5. Supervisory Board remuneration levels 1-tier vs 2-tier

Position	1-tier		2-tier	
	Chairman	Member	Chairman	Member
Lower quartile	€ 60,000	€ 50,000	€ 46,000	€ 32,000
Median	€ 236,686	€ 70,000	€ 57,500	€ 40,315
Upper quartile	€ 740,242	€ 123,102	€ 77,500	€ 51,500

Supervisory Board*
1-tier chairs earn **4x** 2-tier chairs' fee. 1-tier chair/member pay multiple of **3.38** vs. **1.43** for 2-tier board.
**) Based on median level*

Committees
On average committee members earn **2/3rds** of the committee chairman fee.

Vice chairman
On average the base fee of vice-chairs are **20%** lower than that of the chairman.

Other fees
Average travel allowance per meeting of **€2,125** (national) and **€3,835** (international).
Average annual fixed allowance (if any) amounted to **€2,258** per annum.

Combined Remuneration & Nominations committee
31%

Based on the most recent annual reporting cycle and media publications, it is evident that supervisory board fees are on the rise and will continue to be so. Upward fee adjustments are due to the increase in time commitment and responsibilities. It is also supported by the significant deal activity in the past year.

Supervisory board fees should be tailored to the extent and nature of the supervisory board responsibilities. This is often influenced by factors such as the sector the company operates in. Based on our research, supervisory board members are often more involved in the management of the company in a sector such as biotechnology, whereas the independence of directors in other sectors is prioritised.

Analysis of AEX, AMX and AScX indices

Table 6. Non-executive remuneration levels per index

AEX	Chairman	Member	Vice Chairman
Supervisory Board	€ 95,000	€ 60,000	€ 76,500
Audit committee	€ 20,000	€ 12,000	
Remuneration committee	€ 12,000	€ 8,000	
Nomination committee	€ 12,000	€ 7,750	
Other committees	€ 12,000	€ 7,500	

AMX	Chairman	Member	Vice Chairman
Supervisory Board	€ 60,000	€ 40,000	€ 47,500
Audit committee	€ 8,750	€ 7,100	
Remuneration committee	€ 7,500	€ 5,000	
Nomination committee	€ 7,500	€ 5,000	
Other committees	€ 7,750	€ 6,750	

AScX	Chairman	Member	Vice Chairman
Supervisory Board	€ 45,450	€ 32,000	€ 35,000
Audit committee	€ 6,565	€ 5,000	
Remuneration committee	€ 5,600	€ 5,000	

**) Source: Median levels from Annual Reports 2015 and AGM agendas for 2016. There is insufficient data to present the Nomination and Other committees' data for AScX.*

What is the company's view on the remuneration levels of the supervisory board? Does the supervisory board remuneration appropriately reflect the time spent and the responsibilities?

What is the most appropriate ratio between the Chairman and the Vice Chairman? On average, public companies apply a 20% haircut to the Chairman fee.

The grant of shares/options to supervisory board members under the previous Dutch corporate governance code was frowned upon. However, under the proposed Dutch corporate governance code this is allowed under specific circumstances. Would you now consider using share-based instruments?

There is no need to make new contractual arrangements with the supervisory board member due to the change in the wage tax legislation. However, the changed (wage) tax position and the consequences for the supervisory board member should be considered and discussed upfront. Which items should be discussed?

Relevant developments
Governance

Below we have outlined some recent Dutch 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.

New proposed Dutch corporate governance code

At the beginning of 2016, the Corporate Governance Code Monitoring Committee drafted a consultation document to present proposals for a revision of the Dutch corporate governance code. In the proposal, principles and provisions regarding remuneration are amended, deleted and added in order to simplify the principles.

Stakeholders and other interested parties were invited to respond to the consultation document and take part in the public debate on the revision of the code. Currently, the committee is examining the inputs received to decide which amendments are to be incorporated into the revised Code. The new Code is expected to be published soon after the summer of 2016.

We recommend that you review the impact of the revised code for your remuneration policy and, where required, initiate a dialogue with the remuneration stakeholders at your company. Given the importance of the Dutch corporate governance code and for your ease of reference, we have included the proposal in the appendices of this survey.

Involvement of Works Council

A legislative proposal is pending under which companies are required to discuss with its Works Council the conditions of employment and the development of the internal pay ratios in relation to the preceding years, per group of employees (including executives). This proposal is still subject to parliamentary discussion, scheduled for later this year. Based on this proposal companies are required to discuss this topic openly.

Companies should not only consider how this requirement would affect their governance and processes in the annual executive pay cycle but - more importantly - think about how to address concerns that could arise in these discussions with the Works Council and the impact this could have on workers' relations and the company's reputation.

We highlight the following key proposals:

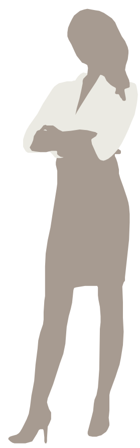
- A simple and transparent remuneration policy that promotes long-term value creation.
- Consider the right factors when determining the levels of remuneration.
- Clear and transparent accountability.
- Non-executive fees should encourage the non-executive to fulfil his/her function properly, without the remuneration being directly dependent on the company's results.

Tax and accounting

Tax position of Non-Executive Directors

Before 1 May 2016 a supervisory board member had a deemed employment relationship with the company. As a consequence, Dutch wage tax (and social security contributions) had to be withheld on the fees unless the supervisory board member provided a so-called Declaration of Independent Status ('VAR') or if a specific ruling was obtained. As from 1 January 2017 non-executives will no longer have a deemed employment relationship. This change in the Dutch Wage Tax Act will have an impact on the payment of fees, the withholding obligations for the company and, possibly, the taxation of the remuneration. In anticipation of this change in legislation, a resolution has been passed to the effect that no Dutch wage tax has to be withheld on the fees as from 1 May 2016 if such is agreed between the company and the supervisory board member.

"The change in wage tax legislation for supervisory board members can impact their tax and social security position, the timing when taxes are due, their personal income tax obligations and their benefits in kind/reimbursements."



A non-executive can, however, continue to be treated as a (deemed) employee for wage tax purposes. This option is recommended if a supervisory board member benefits from certain tax free reimbursements, like the 30% ruling. In that case the company needs to withhold Dutch wage tax (and social security contributions, if due). We recommend to assess the (tax) position of the non-executives and to discuss the potential consequences in order to gain an insight into the potential impact on the level of fees and disclosures.

Accounting updates

As indicated earlier, 96% of the LTI plans operated by Dutch listed firms are equity based. As such, these fall within the scope of IFRS 2 Share-based Payment. The International Accounting Standards Board has issued narrow-scope amendments to IFRS 2 Share-based Payment clarifying how to account for certain types of share-based payment transactions. Although the effective date for the amendments is 1 January 2018, companies can elect to apply the amendments from an earlier date subject to EU endorsement. In practice the amendment relating to share-based payments with net settlement features will have the most significant accounting impact. This amendment incorporates an exception to the IFRS 2 requirements, which results in the classification of a share-based payment transaction with a net settlement feature as equity-settled in its entirety, if the entire award would otherwise be classified as equity-settled without the net settlement feature. The income statement is not affected by the application of the amendment as a result of any reclassification from liability to equity in respect of 'net settled awards', because the recognised liability at application date is reclassified to equity without any adjustment.

This amendment has been introduced to reduce operational complexity and avoid undue burden when applying the requirements of IFRS 2. After implementation of the amended standard, a company can therefore operate a net settlement arrangement, whereby the company withholds the number of underlying shares which represent the value of the payable withholding taxes and still classifies the total arrangement as equity-settled. As the tax payment will no longer be split into a cash-settled and equity settled component, the share-based payment expenses for the total arrangement will be based on the grant date fair value.

Dutch pension legislation update

As of 1 January 2015 the maximum pensionable salary in the Netherlands has been capped at EUR 100,000 (2016: EUR 101,519). The following methods are typically used to compensate executives for their loss of annual pension accrual. The gross compensation supplement method is currently the most prevalent in the market.

- Gross compensation supplement – Due to the level of flexibility, most companies compensate the members of their Board of Directors through a gross compensation supplement. This supplement is paid in addition to the monthly (capped) pension contribution as an increase in base salary or as an additional pension compensation benefit. Please note that an increase in Board of Directors' base salary will be subject to shareholder approval of the Annual General Meeting.
- Net pension scheme – Some companies offer the possibility of participating in a net pension scheme which usually includes the net partner's pension contribution. An exemption to imputed return on investment tax (box 3) could apply to this contribution, if the employee stays within the specified limits.

Note that the benchmarking information included in this publication represents Total Direct Compensation (TDC) and therefore excludes data on benefits such as pension contributions.

Disclosure of internal pay ratios

The status of the European Commission say-on-pay proposal, including the proposed mandatory disclosure of the internal pay ratio, is still being discussed. More and more public and political pressure is being brought to bear as regards the disclosure of pay ratios and the involvement of employee representative parties in the Netherlands has increased.

Companies need to find a way to respond to public concern about executive pay, or matters will be taken out of their hands.

However, based on our research, none of the top Euronext listed companies have disclosed any information on the internal pay ratio in the 2015 Annual Reporting cycle.

EU Directive

The proposal requires companies to consider the appropriateness of executive pay while taking account of internal pay differentials. In this respect the ratio between the average remuneration of directors and the average remuneration of full-time company employees other than directors should be considered.

Companies should respond to public concern about executive pay, even before legislation is implemented.

Dutch Works Councils Act

On 13 June 2016 it was proposed that companies with more than 100 employees should be required by law to conduct an annual discussion with the Works Council on their internal pay ratio.

In a letter to the Prime Minister of 27 March 2015, The Netherlands Trade Union Confederation (FNV) expressed its concern with regard to the increasing executive remuneration levels in the financial industry. The FNV stated that top executives receive base salary increases between 17%-40% whilst normal employees only receive CLA increases (if any). The FNV emphasised the fact that income inequality, i.e. the rising income gap between rich and poor, can have disastrous effects.

$$\frac{\text{Average remuneration of management board members}}{\text{Average remuneration of all other full-time employees}}$$

FNV policy statement

The base salary ratio between the highest and lowest paid within one company should be less than 1:20. Variable pay should be less than 50% of base salary, preferably reduced to below 10% in the long term.

PwC UK, Time to Listen 2016

There is a large gap between the current pay practices and what the public believes to be fair. Executive pay and inequality are significant issues in voters' minds and are therefore of interest to politicians.

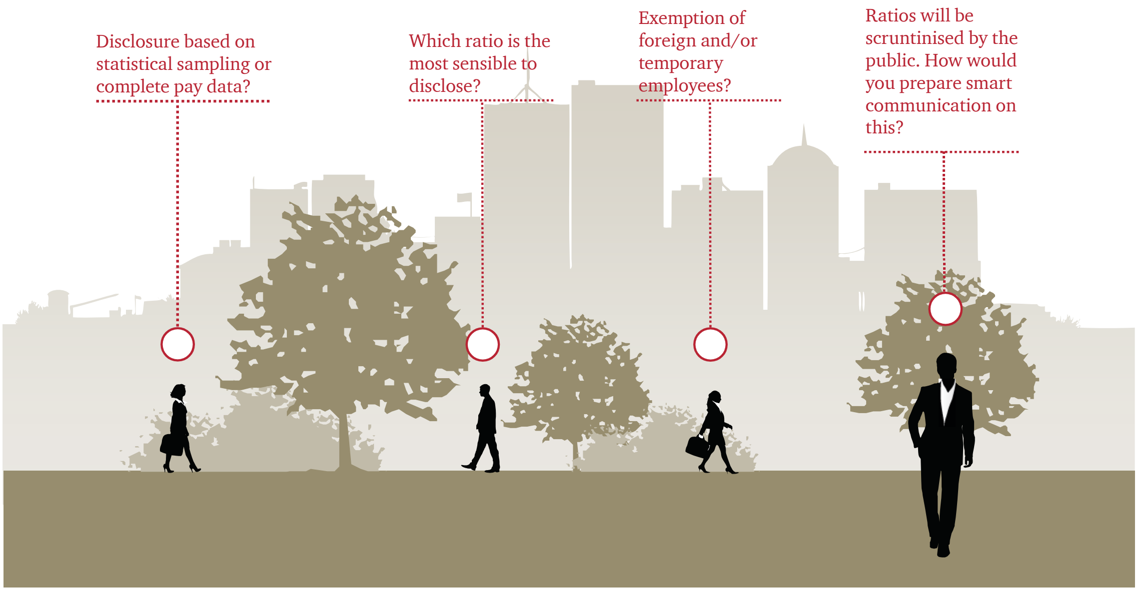
Attitudes are driven more by concerns about employment prospects than by the level of inequality itself. Solutions need to address the pay and prospects of the wider workforce, not just pay at the top.

Internal pay ratios should be carefully considered by companies to ensure reasonable, sensible and sustainable outcomes. According to the proposed Dutch corporate governance code section 3.1.2 (ii), remuneration ratios within the enterprise affiliated with the company should be considered when formulating remuneration policy.

A number of alternatives in calculating the internal pay ratio are tabled below.

Table 7. Internal pay ratio alternatives

US SEC legislation – Dodd Frank Act Section 953(b)	Total CEO remuneration / Median of total remuneration of all other employees
UK requirement - introduced by Vince Cable	Percentage change in directors' remuneration and the average percentage change in respect of the company's employees.
CEO to lowest paid ratio	Total CEO remuneration / Total remuneration of lowest paid employee
Gini coefficient	Represents the income distribution of a population (between 0 and 1). Considered to be most scientifically accurate.



The relationship between the economics and ethics of pay is a constant topic of intense global debate. An internal pay ratio will be largely influenced by industry, geographical location and business type and should therefore be customised to provide the most useful and sensible information.

We recommend that companies calculate their internal pay ratio based on the most sensible approach and then monitor how this ratio changes over time to ensure that the primary drivers of change are understood.

Alignment of executives to shareholders

Our research indicates that more companies are adopting share ownership guidelines in order to align the interests of their executives with those of their shareholders over time. In 2015, AMX and AScX listed companies in particular, also introduced share ownership guidelines.

Increased alignment of executive interests with those of shareholders through share ownership guidelines.

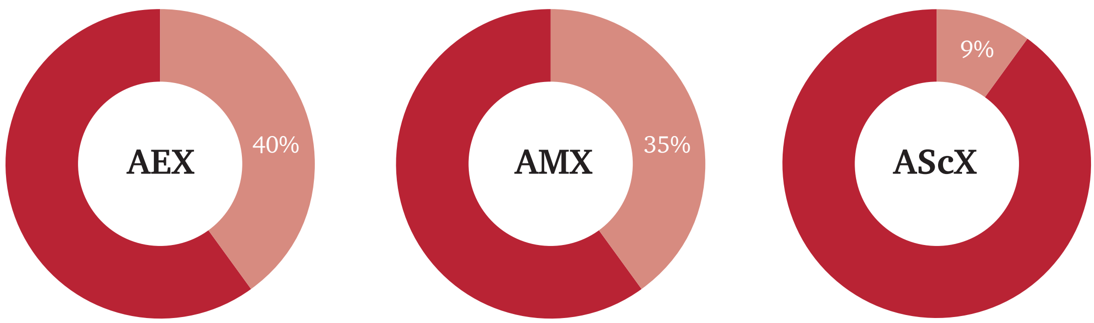
Table 8. Average minimum requirement as % of base salary

Position	AEX	AMX	AScX
CEO	306%	231%	250%
CFO	183%	156%	150%
Other board members	121%	122%	150%

CEO: **3x** AEX, **2.3x** AMX and **2.5x** AScX of base salary
CFO: **1.8x** AEX, **1.6x** AMX and **1.5x** AScX of base salary

The average share ownership build-up period is **5 years** for all indices.

Figure 12. Share ownership plans operated as % of companies



Appendices

Companies included in this survey

The key findings of our survey cover trends in executive and non-executive remuneration and developments in the structure and level of remuneration packages that occurred over the past few years. These findings were supplemented with observations of PwC experts derived from our reward practice.

The companies included in this publication are based on the March 2016 Euronext listing of AEX, AMX and AScX companies, which comprises 72 companies. The data presented was collected from 2015 annual reports, financial statements and remuneration reports. Companies with insufficient remuneration disclosure were excluded from the analysis. All the data included in this presentation is publicly available and represents the full 12-month financial period.

Aalberts Industries
Accell Group
Advanced Metallurgical Group
Aegon
Ahold Koninklijke
Air France-KLM
Akzo Nobel
Altice
Amsterdam Commodities
Aperam
Arcadis
ArcelorMittal
ASM International
ASML Holding
BAM Groep Koninklijke
BE Semiconductor Industries
Beter Bed Holding
BinckBank
Boskalis Westminster
Koninklijke
Brill Koninklijke
Brunel International
Corbion
Delta Lloyd
DPA Group
DSM Koninklijke
Esperite
Eurocommercial Properties
Fagron
Flow Traders
Fugro
Galapagos
Gemalto
GrandVision
Heijmans
Heineken
Holland Colours
ICT Automatisering
IMCD
ING Groep
Kas Bank
Kendrion
Kiadis Pharma
KPN Koninklijke
Lucas Bols
Nedap
Neways Electronics
NN Group
NSI
OCI
Ordina
Philips Koninklijke
PostNL Koninklijke
Randstad
Refresco Gerber
RELX
Royal Dutch Shell
SBM Offshore
Sligro Food Group
Stern Groep
Telegraaf Media Groep
TKH Group
TNT Express
TomTom
Unibail-Rodamco
Unilever Certificate
USG People
Value8
Vastned
Vopak Koninklijke
Wereldhave
Wessanen
Wolters Kluwer

Dutch corporate governance code – Proposal for revision 11 February 2016

The Corporate Governance Code Monitoring Committee has drafted a consultation document to present proposals for a revision of the Dutch corporate governance code. We have included a summary of the remuneration section below.

Remuneration: Cleaned up and simplified

Based on the results of the previous Monitoring Report, the Committee concludes that the introduction of new and additional requirements in the current Code during the last revision did not have the intended effect.

Table 9. Corporate governance code proposal for revision 11 February 2016 - Remuneration

Principle 3.1 Remuneration policy – management board	
The remuneration policy applicable to management board members should be simple and transparent and should promote long-term value creation for the company and its affiliated enterprise. The remuneration policy should not encourage management board members to take risks that conflict with the strategy formulated. The supervisory board should be responsible for the remuneration policy and its implementation.	
3.1.1 Remuneration policy proposal	The remuneration committee should submit a proposal to the supervisory board concerning the remuneration policy to be pursued with regard to the management board including the severance payments.
3.1.2 Adoption of the remuneration policy	The following aspects should, in any event, be considered when adopting the remuneration policy: i. the objectives in respect of the strategy to achieve long-term value creation referred to in best practice provision 1.1.1; ii. the remuneration ratios within the enterprise affiliated with the company; iii. the ratio between the short and long-term variable remuneration components in relation to the fixed remuneration component; iv. the development of the market price of the shares; v. in the event of remuneration in shares, the terms and conditions for holding such shares in the long term; and vi. the achievement of pre-determined objectives and how these relate to developments in the market.
3.1.3 Responsibility remuneration executive committee	In consultation with the management board, the supervisory board should determine the responsibility of the supervisory board with regard to the remuneration of members of the executive committee who are not management board members. The relevant arrangements should be laid down in the terms of reference referred to in best practice provision 2.3.3.
3.1.4 Parameters claw back	The remuneration policy should specify the parameters on the basis of which the company may, under pre-determined circumstances, reclaim the variable remuneration awarded or adjust such remuneration downwards.

Principle 3.2 Determination of management board remuneration	
The supervisory board should determine the remuneration of the individual members of the management board, within the limits of the remuneration policy adopted by the general meeting of shareholders. The remuneration committee should prepare the supervisory board's decision-making in respect of the determination of remuneration. Inadequate performance should not be rewarded.	
3.2.1 Remuneration committee's proposal	The remuneration committee should submit a proposal to the supervisory board concerning the remuneration of individual members of the management board. In this proposal the manner in which the aspects referred to in best practice provision 3.1.2 were weighed should be addressed.
3.2.2 Management board members' own views	The remuneration committee should take note of individual management board members' own views with regard to the amount and structure of their own remuneration. In this regard, the members of the management board should pay attention to the aspects referred to in best practice provision 3.1.2.
3.2.3 Severance payments	The remuneration in the event of dismissal should not exceed one year's salary (the 'fixed' remuneration component). If the maximum of one year's salary would be manifestly unreasonable for a management board member who is dismissed during his first term of office, such board member should be eligible for severance pay not exceeding twice the annual salary.
Principle 3.3 Remuneration supervisory board	
The supervisory board should submit a simple and transparent proposal for its own appropriate remuneration to the general meeting of shareholders. The remuneration of supervisory board members should promote an adequate performance of their role and should not be directly dependent on the results of the company.	
3.3.1 Time spent and responsibility	The remuneration of the supervisory board members should reflect the time spent and the responsibilities of their role.
3.3.2 Remuneration of supervisory board members in the form of shares	Any shares held by a supervisory board member in the company should be long-term investments. Supervisory board members may be awarded remuneration in the form of shares and/or rights to shares in the company, on condition that: i. such shares and/or rights to shares are held for at least two years following the end of the appointment period; ii. at the time of award, the value of the shares does not exceed half of the total remuneration; and iii. the shares and/or rights to shares continue to be held in full ownership by the supervisory board member until the period mentioned at i. above has expired.
Principle 3.4 Remuneration accountability	
In the remuneration report, the supervisory board should render account of the remuneration policy in a clear and transparent manner. The report should be posted on the company's website.	
3.4.1 Remuneration report	The supervisory board is responsible for drawing up the remuneration report. This report should in any event describe in a clear and transparent manner, in addition to the matters required by law: i. how the remuneration policy contributes to long-term value creation; ii. the total package of benefits for each management board member; iii. in the event a management board member receives variable remuneration: substantiation of how this remuneration contributes to long-term value creation; and iv. in the event a current or former management board member receives a payment when leaving: substantiation of how this remuneration does not reward inadequate performance.
3.4.2 Contract of management board member	The main elements of the contract of a management board member with the company should be made public in a clear and transparent overview after it has been concluded, and in any event no later than the date of the notice calling he general meeting where the appointment of the management board member will be proposed.

Read more

Remuneration practices and trends

ISS Proxy Voting guidelines 2016	Global	2016	*https://www.issgovernance.com/file/policy/executive-summary-of-key-2016-updates-and-policy.pdf*
The Investment Association Principles of Remuneration	EU	2016	*https://www.ivis.co.uk/media/12256/Principles-of-Remuneration-July-2016.pdf*
Time to listen – Executive pay and inequality	UK	2016	*http://www.pwc.co.uk/services/human-resource-services/insights/time-to-listen.html*
Eumedion "Uitgangspunten verantwoord beloningsbeleid"	Netherlands	2016	*http://www.eumedion.nl/nl/nieuws/eumedion-benadrukt-dat-beloningsbeleid-moet-bijdragen-aan-lange-termijn-waardecreatie*
Raising the bar – The state of executive pay	UK	2015	*http://www.pwc.co.uk/services/human-resource-services/insights/raising-the-bar-the-state-of-executive-pay-in-2015.html*
Making executive pay work	UK	2015	*http://www.pwc.co.uk/services/human-resource-services/insights/making-executive-pay-work.html*
The changing performance management paradigm: evolution or revolution?	Netherlands	2015	*https://www.pwc.nl/nl/assets/documents/pwc-performance-survey-2015.pdf*
PwC reward trends snapshot survey	Ireland	2015	*http://www.pwc.ie/survey/reward-trends-snapshot-survey.html*
Belgian Reward Barometer	Belgium	2014	*http://www.pwc.be/en/news-publications/publications/2014/reward-barometer.html*
Executive Reward Survey – Overview of FTSE 100 market practice	UK	2014	*https://www.pwc.co.uk/assets/pdf/ers14-ftse-100-market-overview.pdf*
Evaluating Pay for Performance Alignment	US	2012	*https://www.issgovernance.com/file/files/EvaluatingPayForPerformance_final_updated_02172012.pdf*

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