Executive Board Remuneration Policy

Wolters Kluwer

Wolters Kluwer N.V. Executive Board Remuneration Policy for adoption by the 2021 AGM

Introduction

In accordance with the implementation of the amended European Shareholder Rights Directive (SRD) in the Netherlands, the Supervisory Board, based on a recommendation of the Selection and Remuneration Committee, has prepared the remuneration policy of the Executive Board for adoption by the 2021 Annual General Meeting of Shareholders (AGM). At the 2020 AGM, a 52% majority voted in favor of the proposed Executive Board Remuneration Policy. However, this majority did not meet the statutory quorum of 75% which applies in the Netherlands. Following an extensive consultation which was carried out with stakeholders, the Supervisory Board made further amendments to the proposed policy, recognising the need to align it more closely with the expectations of the company's broader global shareholder base, as well as demonstrating the key principles outlined below. Subject to adoption by the AGM, the remuneration policy, which will apply to the Executive Board members, will take (retro-active) effect from January 1, 2021 and is intended to remain in place for four years.

Policy objectives

The remuneration policy provides a structure that aligns remuneration of the Executive Board members with the successful delivery of our long-term strategy. The key principles of this policy are as follows:

Principles of Executive Board remuneration	
Pay for performance and strategic progress	• Pay is linked to the achievement of key financial and non-financial targets related to our strategy • Over 75% of on-target pay is variable and linked to performance against stretch targets • Short-term incentives are linked to annual targets • Long-term incentives are linked to performance against three-year stretch targets aligned to our strategic plan
Align with long-term shareholder interests	• Policy incentivizes management to create long-term value for shareholders and other stakeholders through achievement of strategic aims and delivery against financial and non-financial objectives • Majority of incentive is long-term and paid in Wolters Kluwer shares
Be competitive in a global market for talent	• On-target pay is aligned with the median of a defined global pay peer group, comprised of competitors and other companies in our sectors that are of comparable size, complexity, business profile, and international scope • TSR peer group companies are additionally screened for financial health, stock price correlation and volatility, and historical TSR performance

Pay peer group for benchmarking

For remuneration benchmarking purposes, the Supervisory Board will consider market data for all elements of remuneration from companies that comprise the pay peer group and are of comparable size, complexity, industry or business profile and geographic scope. The pay peer group includes comparable organizations in Europe and North America, which takes into consideration the companies and geographic locations where Executive Board members might be recruited to or from. In accordance with stakeholder feedback, the balance between European and North American companies will be adjusted from approximately 50% (EU)/50% (NA) to approximately 60% (EU)/40% (NA). We consider it appropriate to continue to include North America-based companies since the largest part of our revenues (2020: 61%) is generated in North America and since it is a key market for recruiting executive leadership talent. This pay peer group will be disclosed in the annual remuneration report.

Main changes
In addition to making the policy compliant with the Dutch legislation which implements the SRD, several changes have been made compared to the existing remuneration policy (which was adopted in 2004 by the AGM and amended in 2007 and 2011 following approval from the AGM). These changes are designed to address the stakeholder feedback. The main changes in the proposed policy are as follows:

- Defining a maximum of 20% for non-financial measures in the Short-Term Incentive plan (STIP). For 2021, we plan to include non-financial measures with a weight of 10%. Non-financial measures can include environmental, social and governance (ESG), strategic, or operational measures.
- Proposing a predefined list of measures from which the Supervisory Board can annually select appropriate measures for the STIP, instead of the current, full flexibility for the Supervisory Board, in order to balance flexibility for the Supervisory Board with transparency for stakeholders about potential measures and targets.
- Maintaining Total Shareholder Return (TSR) as a Long-Term Incentive Plan (LTIP) measure with a weight of 50% of the value, but replace diluted earnings per share (currently a 50% weight) by:
  - Diluted adjusted earnings per share (EPS; 30% weight). Diluted adjusted EPS is a key performance indicator to measure the performance of the business and is used by the company to guide investors on the outlook.
  - Introducing Return on Invested Capital (ROIC; 20% weight) as a third LTIP measure in line with feedback from some stakeholders who have expressed a strong preference for this measure.
- Reducing the maximum conditional LTIP award (on-target) for the CEO from 285% of salary to 240% as of 2022 (for 2021, it will be reduced to 265%), thereby reducing the target remuneration of the CEO by approximately 10%.
- Introducing a two-year holding period requirement upon vesting for LTIP shares
- Introducing share ownership requirements
- Enabling the Supervisory Board, in case of external recruitment of new members to the Executive Board, to compensate such new members for the loss of remuneration they might face due to a transition of employment in order to be able to attract the best external talent.

Although the Supervisory Board believes the current total remuneration of the CEO is appropriate considering the pay peer group, the Supervisory Board has decided, in consultation with the CEO, that the base salary of the CEO will not be increased for 2021. The Supervisory Board believes that with this package of actions, the company is responding appropriately to the concerns and recommendations of stakeholders while at the same time achieving the policy objectives referred to above. The Supervisory Board hopes to reach the required 75% majority for the remuneration policy at the 2021 Annual General Meeting of Shareholders, in order to receive the authority to execute these actions effectively. If the policy is not approved, the Supervisory Board will be required to continue with the existing policy, which gives it only limited scope to evolve its approach in line with shareholder views.

Remuneration elements and pay philosophy

Executive Board remuneration comprises the following elements:

Element of remuneration	Key feature	Alignment to strategy and shareholder interests
Base salary	Reviewed annually with reference to pay peer group and increases provided to all employees	Set at a level to attract, motivate, and retain the best talent
Short-term incentive plan (STIP)	Paid annually in cash; maximum opportunity: 175% of base salary	Incentivizes delivery of performance against our annual strategic, financial, and ESG goals
Long-term incentive plan (LTIP)	Conditional rights on ordinary shares, subject to a three-year vesting schedule and three-year performance targets	Incentivizes delivery of financial performance and creation of long-term sustainable value; demonstrates long-term alignment with shareholder interests
Pension	Defined contribution retirement savings plan that is available to all employees in the country of employment	Provides appropriate retirement savings designed to be competitive in the relevant market
Other benefits	Eligibility for health insurance, life insurance, a car, and participation in any all-employee plans that may be offered	Designed to be competitive in the relevant market

Linking pay to our strategic goals

The largest component of Executive Board remuneration is variable performance-based incentives. This strengthens the alignment between remuneration and company performance and reflects the philosophy that Executive Board remuneration should be linked to a strategy for long-term value creation. The company's 2019-2021 strategy, Accelerating Our Value, aims to deliver continued good organic growth and further incremental improvements to adjusted operating profit margin and return on invested capital, and seeks to drive long-term, sustainable value for all stakeholders.

Our purpose:

Deliver deep impact when it matters most

Our values:

Focus on customer success	Make it better	Aim high and deliver

Our strategic aims:

Grow expert solutions

- Drive scale by extending the offerings and broadening distribution via existing and new channels, including strategic partnerships
- Invest to build or acquire positions in adjacent markets

Advance deep domain expertise

- Enrich our information products and services with advanced technologies to deliver actionable intelligence integrated into customer workflows
- Enhance user experience through user-centric design and differentiated interfaces

Drive operational agility

- Strengthen global brand, go-to-market, and digital marketing capabilities
- Upgrade back-office systems and IT infrastructure
- Complete the modernization of HR systems to support efforts to attract and nurture talent

Financial metrics:

Proposed new policy:						
Financial measures – short-term incentive plan (STIP): pre-defined list of measures:						
Revenues	Organic growth	Adjusted operating profit	Adjusted operating profit margin	Adjusted net profit	Adjusted free cash flow	Cash conversion ratio
Non-financial measures – short-term incentive plan (STIP):						
ESG, operational, or strategic measures, including revenues from expert solutions, employee engagement score, customer satisfaction scores, measures of good corporate governance or operational excellence, and measures of environmental impact.						
Financial measures – long-term incentive plan (LTIP):						
Relative total shareholder return		Diluted adjusted EPS (three-year CAGR)		Return on invested capital		

Through the applicable performance criteria and the fact that the LTIP is based on the company's performance over a three-year period, the remuneration policy contributes to the long-term interests and value creation of the company. A pre-defined list of financial targets, shown above, from which measures can be selected annually for the STIP has been determined by the Supervisory Board largely to reflect the key performance indicators (KPIs) that the company reports on periodically. These KPIs are important measures of the successful execution of the company's strategy as set out above. As such, Executive Board remuneration is directly linked to the strategy, performance and long-term interests of the company.

The ability to set non-financial targets with a weighting of up to 20% of the STIP measures further contributes to alignment between the policy and sustainability as well as the company's values.

The Supervisory Board has also taken into consideration the extent to which the variable remuneration might expose the company to risks, taking into consideration the overall risk profile and risk appetite of the company. The Supervisory Board believes that the remuneration policy provides management with good incentives to drive the innovative and performance-driven culture of the company and create long-term value, without increasing the overall risk profile of the company. This contributes to achieving the mission of the company to empower our professional customers with the information, expert solutions, and services they need to make critical decisions, achieve successful outcomes, and save time.

Base salary

The base salary provides the main fixed element of the remuneration package and is set at a market competitive level to attract and retain the caliber of executives required to devise and execute the strategy. Base salary is reviewed annually by the Supervisory Board. The Supervisory Board may consider various factors when determining any base salary changes, including the level of salary increases for Wolters Kluwer employees globally, benchmark data using the pay peer group, business performance, role scope, market practice in relevant countries, and individual contribution. The actual base salary and annual increases will be reported in the annual remuneration report.

The Supervisory Board considers the remuneration of employees and the average annual global increases important elements in determining the annual base salary increase for Executive Board members. Increases which are substantially higher than those for Wolters Kluwer employees globally may be awarded in certain circumstances, such as a material change in the responsibility, size or complexity of the role, or if an Executive Board member's base salary is below market, based on benchmark information. In such circumstances, the Supervisory Board will provide the rationale for the increase in the relevant year's remuneration report. To be responsive to the concerns expressed by some shareholders about the quantum of CEO remuneration, the Supervisory Board reviewed the overall pay package. While the CEO remuneration is in line with the median level for the benchmark pay peer group, the Supervisory Board, in consultation with the CEO, resolved not to increase the CEO base salary for 2021. In addition, the CEO has agreed that any of her future base salary increases (beyond 2021) will not exceed the percentage level of the overall salary increases of Wolters Kluwer employees globally.

The Supervisory Board did approve a regular increase in base salary in 2021 for the CFO of 2.5%, in line with the overall budgeted 2021 salary increase for Wolters Kluwer employees globally.

Short-Term Incentive Plan (STIP)

The STIP provides Executive Board members with a cash incentive for the achievement of specific annual targets for a set of financial and non-financial performance measures that are aligned to the business strategy for value creation. Performance measures are selected from a pre-defined list and targets for those measures are set by the Supervisory Board on an annual basis. The measures include a balance of financial measures and non-financial (ESG or operational or strategic) measures, aligned to the strategic objectives of the company.

Financial measures may include:
- Revenues*
- Organic growth
- Adjusted operating profit
- Adjusted operating profit margin
- Adjusted net profit*
- Adjusted free cash flow*
- Cash conversion ratio

** in implementing the policy for 2021, these financial measures will be used for the STIP*

Non-financial measures can include ESG, operational, or strategic measures, such as revenues from expert solutions, employee engagement score, customer satisfaction scores, measures of good corporate governance, operational excellence, and/or environmental impact. Non-financial measures will largely be measurable and reported on in the annual remuneration report. The financial measures are KPIs to measure the successful execution of the company's strategy aimed at long- term value creation. Through the combination of these financial measures with the non-financial measures, the STIP will contribute to the long-term interests and sustainability of the company. Performance measures and weighting may differ year on year reflecting the priorities of the business, but in any given year, a minimum of 80% of the measures will be based on financial criteria. Details of performance measures for each year and how they support the business strategy will be disclosed in the annual remuneration report.

After the end of each year the Supervisory Board reviews the performance of the Executive Board and determines the extent to which each of the targets has been achieved to determine the final payout level. Payouts only take place after verification by the external auditor of the financial statements of the company, including the financial performance indicators on which the financial STIP targets are based. The maximum payout will only be payable if the actual performance for all individual measures exceeds 110% of target. There will be no payout for individual measures with results below 90% of target. Short-term incentive payments are in principle paid in cash only. In response to shareholder requests for greater transparency, STIP targets have been disclosed retrospectively in the 2020 Remuneration Report. Consistent with the remuneration policy existing prior to 2020, the payout percentages that can be earned under the STIP, depending on performance, are determined for each of the Executive Board members, reflecting relevant benchmark information and market practice. As such, the opportunity may differ for the respective Executive Board members. However, the maximum opportunity for Executive Board members in case of overperformance will not exceed 175% of base salary. The achievement of targets and payout levels will be reported in the annual remuneration report.

The STIP percentage payout scenarios for 2021 are as follows:

STIP percentage payout scenarios for 2021

	Minimum payout (% of base salary)	Minimum threshold: no payout if performance is below (% of target)	Target payout (% of base salary)	Maximum payout (% of base salary)	Maximum payout if performance is above (% of target)
CEO	0%	< 90%	125%	175%	≥110%
CFO	0%	< 90%	95%	145%	≥110%

The Supervisory Board will set targets based on the following financial measures for 2021:

STIP financial performance measures for 2021

Measure	Weighting	How performance is calculated
Revenues	34%	STIP financial targets are based on the annual budget which assumes development of the existing business. In calculating STIP performance results, the effect of changes in currency is excluded and the calculation is based on consistent IFRS accounting standards.
Adjusted net profit	28%	
Adjusted free cash flow	28%	
Sub-total weighting of STIP financial measures	**90%**	

STIP: Non-financial performance measures for 2021

ESG objective	Measure	Weighting %	Description of target and how it is measured
High customer satisfaction	Percentage of revenues from expert solutions*	1.67%	The annual target will be based on the annual budget which tracks expert solutions' revenues as a percentage of total revenues. The target can be achieved through organic development or portfolio changes.
High employee engagement	Employee engagement score versus high-performing norm	1.67%	The annual target will aim to achieve an employee engagement score at or above the benchmark high-performing norm. The score and high-performing norm are collected by an independent third party (2020: CultureIQ).
	Diversity, equity, and inclusion goal	1.67%	In 2021, the target will be qualitative and defined as the completion of an assessment and construction of a robust plan to advance our diversity, equity, and inclusion efforts.
Strong corporate governance	Percentage completion of annual compliance training	1.67%	Annual compliance training includes ethics, data privacy, IT, and cybersecurity training. The result is normalized for full-time employees who are on leave or not eligible to participate in the training.
Secure and efficient systems and processes	Indexed cybersecurity maturity score	1.66%	The annual target will be based on a company-wide program designed to maintain and advance cybersecurity. Our cybersecurity maturity score is assessed annually by a third party, based on a framework created by the National Institute of Standards and Technology (NIST). The score is indexed with a base line of 100. The annual target will aim to achieve an improvement on the baseline.
Environmentally sound practices	Number of on-premise servers decomissioned	1.66%	The annual target will be based on a program managed jointly by Global Business Services (GBS) and the four divisions. Decommissioning of servers and migration to energy-efficient cloud platforms will improve our carbon footprint.
Total		**10.00%**	

* *Expert solutions are products that combine deep domain knowledge with technology to deliver both content and workflow automation to drive improved outcomes and productivity.*

Long-Term Incentive Plan (LTIP)

The LTIP aligns the interests of executives with those of shareholders by granting shares to Executive Board members as a reward for delivery of long-term performance objectives and for creating value for stakeholders.

Awards are made in the form of conditional rights on shares (Performance Shares). Performance Shares are conditionally awarded at the beginning of a three-year performance period. The number of conditional shares (at target) is based on a percentage of base salary. Wolters Kluwer uses the fair value method for calculation of the number of conditional rights on shares, which is the same value as used for IFRS based accounting purposes. In the benchmarking process, the value of share-based remuneration is standardized for the use of fair value to ensure a like-for like comparison against peer companies. The maximum conditional award percentage at target will not exceed 240% of base salary as of 2022 (2021: 265%).

The total number of shares that the Executive Board members will actually receive at the end of the three- year performance period depends on the achievement of predetermined performance conditions. For 50% of the target value of the conditional Performance Shares, the payout at the end of the performance period depends on Wolters Kluwer's Total Shareholder Return (TSR) relative to a group of TSR peer companies (TSR related shares). For 30% of the target value of the Performance Shares conditionally awarded at the beginning of a three-year period, the payout at the end of the performance period will depend on results compared to a target for diluted adjusted EPS (EPS Related Shares), different from the policy applied to share grants dating from prior to 2020 which used diluted EPS (for 50%). For 20% of the target value of the Performance Shares conditionally awarded at the beginning of a three-year period, the payout at the end of the performance period will depend on results compared to a target for ROIC (ROIC Related Shares). Payout of the performance shares at the end of the three-year period will only take place after verification by the external auditor of the achievement of the TSR, EPS and ROIC performance against the targets. We will continue to disclose retrospective absolute LTIP targets. In addition, subject to approval of the proposed remuneration policy, the Supervisory Board is committed to providing prospective LTIP targets, starting with the 2021 Annual Report.

TSR peer group and incentive zones

TSR is calculated based on the share price development over a three-year period, including dividend reinvestment, and comparing that to the companies in the TSR peer group. By using a three-year performance period, there is a clear relation between remuneration and long-term value creation. The company uses a 60-day average of the share price at the beginning and end of each three-year performance period to reduce the influence of potential stock market volatility. The TSR peer group consists of 15 companies selected by the Supervisory Board. In 2020, based on consultations with stakeholders, the Supervisory Board revised the peer group. In case of delisting of a peer group company, the Supervisory Board will carefully consider an appropriate replacement company. Criteria for selecting TSR peer group companies include: industry, geographic focus, size, financial health, share price correlation and volatility, and and historical TSR performance. The TSR peer group will be disclosed in the annual remuneration report.

The TSR peer group (for LTIP cycles as of 2020-2022) currently comprises the following companies:

- Bureau Veritas
- Equifax
- Experian
- IHS Markit
- Informa
- Intertek Group
- John Wiley & Sons
- News Corporation
- Pearson
- RELX
- S&P Global
- SGS
- The Sage Group
- Thomson Reuters
- Verisk Analytics

The Executive Board can earn 0-150% of the number of conditionally awarded TSR Related Shares at the end of the three-year performance period depending on Wolters Kluwer's TSR performance compared to the peer group (TSR Ranking). There will be no payout for the Executive Board members with respect to TSR Related Shares if Wolters Kluwer is below median (the eighth position) in the TSR Ranking at the end of the period. Payout will be 150% for first or second position, 125% for third or fourth position, 100% for fifth or sixth position, and 75% payout for seventh or eighth position. These incentive zones are in line with best practice recommendations for the governance of long-term incentive plans. Three-year TSR targets provide incentives for the Executive Board members to drive long-term value creation and as such support the long-term interests and successful execution of the strategy.

EPS and ROIC Targets and payout schedules

With respect to EPS and ROIC Related Shares, the Executive Board members can earn 0-150% of the number of conditionally awarded EPS and ROIC Shares, depending on Wolters Kluwer's EPS and ROIC performance over the three-year performance period. For calculation purposes the definitions of diluted adjusted EPS and ROIC as disclosed in the glossary of the 2020 Annual Report of Wolters Kluwer will be used.

The diluted adjusted EPS and ROIC targets for each three-year performance period will be set by the Supervisory Board, taking into account the strategic plan. At the end of the three-year performance period, the Executive Board members will receive 100% of the number of conditionally awarded EPS and ROIC Related Shares if the performance over the three-year period is on target. There will be no payout if the performance over the three-year period is less than 50% of the target. In case of overachievement of the target, the Executive Board members can earn up to a maximum of 150% of the conditionally awarded shares. The Supervisory Board determines the appropriate stretch targets for the EPS and ROIC Related Shares for each three-year performance period. The targets will be based on the diluted adjusted EPS and ROIC performance in constant currencies, to exclude any positive or negative impact from exchange rate movements over which the Executive Board has no control. Appropriate diluted adjusted EPS and ROIC targets provide incentives for the Executive Board members to drive long-term EPS and ROIC performance, supporting the execution of the strategy aimed at long-term value creation.

Retirement and other benefits

The pensions and other benefits for which Executive Board members are eligible are intended to be competitive in the relevant market and may evolve year-on-year. Executive Board members are eligible for benefits such as health insurance, life insurance, a car, and to participate in whatever all-employee plans may be offered at any given point. Additional benefits and allowances may be offered in case of relocation or international assignment, such as relocation support, expatriation allowance, tax equalization, reimbursement for international schools, housing support, and other benefits which reflect local market practice. Retirement arrangements reflect relevant local market practice. The Executive Board members participate in the applicable retirement benefit plans available to other executives in the country of employment. Executive Board members are also eligible to participate in whatever retiree medical plan the company has in place for other employees in the country of employment at that time.

Ms. McKinstry will receive a benefit from a now closed, frozen Defined Benefit Plan in the United States, similar to other US employees who were employed at the time when this plan was active.

Further information regarding the benefits and retirement arrangements for current Executive Board members are disclosed in the annual remuneration report and financial statements.

Holding period requirement

In addition to the three-year performance-based vesting period, Performance Shares (net of taxes) will be subject to a two-year holding period requirement (starting with the 2021-2023 LTIP cycle) as stipulated in the Dutch Corporate Governance Code. However, if the Executive Board member is eligible for a company-sponsored deferral program and chooses to participate by deferring LTIP proceeds upon vesting, the maximum amount that can be deferred is 50% of the vested value. The remaining vested value in shares (net of taxes) is subject to the two-year holding period requirement.

Share ownership requirement

The Supervisory Board believes that the Executive Board members will most effectively pursue the long-term interests of our shareholders if they are shareholders themselves. As a result, share ownership requirements are being introduced. The CEO will be required to own Wolters Kluwer shares valued at three times their base salary, with other Executive Board members needing to hold twice their base salary. As at the date of publication of this Remuneration Policy the current Executive Board members are already in compliance with this requirement. New Executive Board members will have a five-year period to comply with this requirement from their date of appointment.

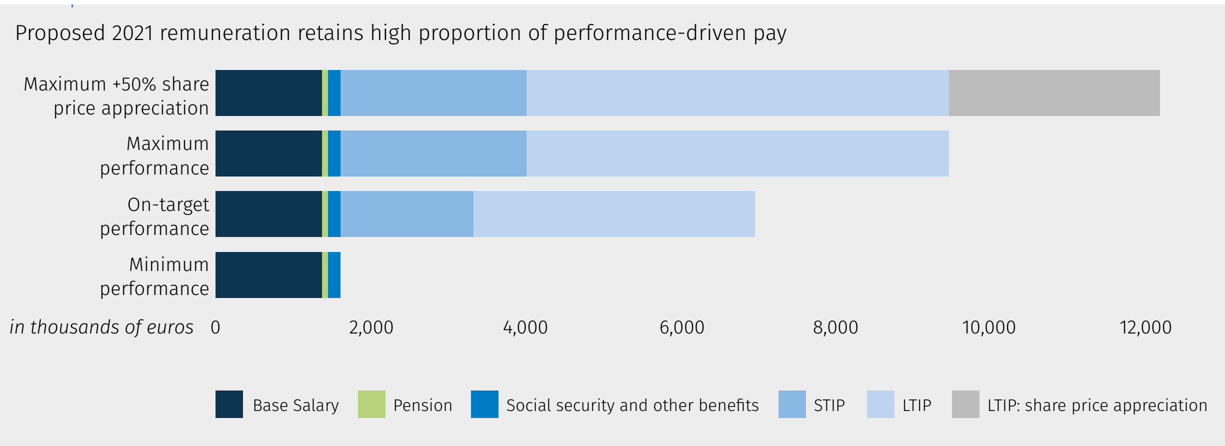
Claw-back and discretion

In accordance with Dutch law, the Supervisory Board may adjust the outcome of variable remuneration if the payout would, in its view, be unacceptable based on reasonability and fairness criteria. The company can claim back variable payments (in whole or in part) if the payout was based on incorrect information about the achievement of the targets. Any application of claw-back or discretion will be disclosed and explained in the annual remuneration report.

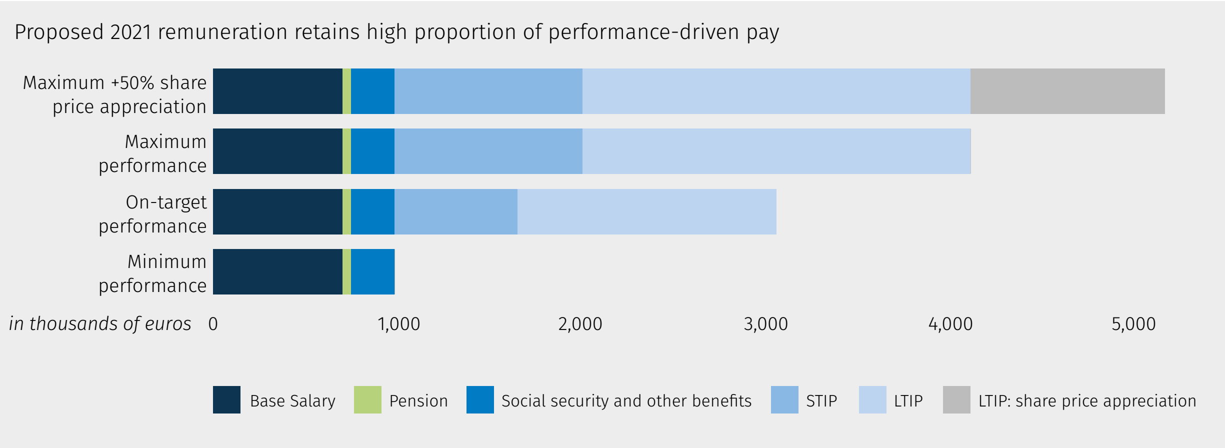
Relative proportion of the various pay elements

In accordance with the Dutch Corporate Governance Code, the Supervisory Board carried out scenario analyses when determining the structure and level of Executive Board remuneration. The charts below illustrate the absolute and relative proportions of remuneration at below threshold, target and maximum levels of performance.

2021 performance-driven CEO remuneration scenarios



2021 performance-driven CFO remuneration scenarios



Recruitment policy

When determining remuneration for a new Executive Board member, the Supervisory Board will consider the requirements of the role, the needs of the business, the relevant skills and experience of the individual and the relevant external market for talent.

Generally, the Supervisory Board will seek to align the new Executive Board member's remuneration package to the remuneration policy. Base salary, incentive opportunities and retirement benefits will be determined in accordance with the policy. In the case of external hires, the Supervisory Board may also decide to grant a sign- on award in cash and/or shares, to compensate for the loss of remuneration that an incoming Executive Board member would face upon a transfer of employment. Such a sign-on award would be limited to a comparable value to the arrangements forfeited. When establishing the terms of the sign-on award, the Supervisory Board will consider the structure, time horizons, value and performance targets associated with arrangements forfeited. The rationale and detail of any such award will be disclosed in the annual remuneration report.

Service contracts and termination payments

Service contracts

In line with the Dutch Corporate Governance Code, as policy, Executive Board members will be appointed for four-year terms. In 2017, the CFO was reappointed for a second four-year term. He will be nominated for reappointment at the 2021 AGM. The CEO was appointed before the introduction of the first Dutch Corporate Governance Code. She has an employment contract for an indefinite period, which will remain honored.

Notice period

The maximum notice period for an Executive Board member will not exceed 180 days. Current notice periods range between 45 and 90 days for the CEO depending on the circumstances and 180 days for the CFO.

Termination payments

In accordance with the Dutch Corporate Governance Code, as policy, severance payments will be limited to one year's base salary. In line with this policy, the CFO's contract contains a severance payment of one year's base salary. The contract for the CEO, which was entered into prior to the introduction of the first Dutch Corporate Governance Code, will remain honored.

The contracts of the Executive Board members contain stipulations with respect to a change of control of the company. These state that, in case of a change of control, the Executive Board members will receive 100% of the number of conditional rights on shares awarded to them with respect to pending LTIP cycles for which the performance period has not yet ended. In addition, Executive Board members are entitled to a cash severance payment equal to their severance arrangements if their employment would end following a change of control.

Incentive payments at the time of departure

The treatment of incentive awards will depend on the circumstances of departure.

Under the STIP, the Executive Board members will forfeit payout for the current cycle if not actively employed on the last day of the performance year. A prorated amount may be paid in the event of the Executive Board member's death, disability or retirement. In the event of a change of control, STIP payments may still be paid but performance targets may be re-set. Under the LTIP, the Executive Board members will forfeit their award if they are not actively employed on the date of vesting as a result of: (i) termination for cause and not for cause, (ii) voluntary resignation. A pro-rated vesting may occur in the event of the Executive Board member's death, disability or retirement. In the event of a change of control, unvested shares will become fully vested. Full information on all outstanding but not yet vested LTIP plans for each of the Executive Board members is disclosed in the annual remuneration report and financial statements.

Decision-making process and stakeholder considerations

In accordance with the Dutch Corporate Governance Code, the Selection and Remuneration Committee prepares the decisions regarding revisions to the remuneration policy and the execution of them. The Supervisory Board seeks advice from an independent external remuneration committee advisor. Resolutions are always taken in the full Supervisory Board. In accordance with Dutch law, the remuneration policy will be submitted for adoption to the AGM at least every four years,

Stakeholder engagement in 2020	Number of organizations met	Number of meetings	Percentage of issued share capital owned
Shareholders	60+	100+	57%
Shareholder representatives and proxy advisors	3	6	–
Works council	1	2	–

When developing this policy and considering changes compared to the existing policy, the Supervisory Board engaged widely and fully with the company's stakeholders to gain social acceptance, considering their perspectives and input. The Supervisory Board considered the overall pay philosophy across the organization, and in accordance with the Dutch Corporate Governance Code, the Supervisory Board considered the pay ratio between the CEO pay and the average employee pay. The pay-ratio, as stated in the 2020 Remuneration Report, is calculated by dividing the total remuneration of the CEO by the average total remuneration of all employees worldwide. The Supervisory Board will monitor the extent to which this pay-ratio changes over the years and take it into consideration when making remuneration decisions for the Executive Board. A constructive dialogue took place with the works council of the company in the Netherlands and they are supportive of all the changes being proposed. Additionally, the Supervisory Board has taken note of the views of the Executive Board members on the structure and quantum of their remuneration, as required by the Dutch Corporate Governance Code. Taking into consideration the views of stakeholders and public opinion, the Supervisory Board aims to set appropriate targets and has included appropriate caps for the variable pay elements in the policy, which it believes will contribute to social support for the policy.