

# Wolters Kluwer Governance Roadshow

Selection & Remuneration Committee of the  
Supervisory Board of Wolters Kluwer

November 2020



Wolters Kluwer

# Forward-looking statements

*This presentation contains forward-looking statements. These statements may be identified by words such as "expect", "should", "could", "shall", and similar expressions. Wolters Kluwer cautions that such forward-looking statements are qualified by certain risks and uncertainties that could cause actual results and events to differ materially from what is contemplated by the forward-looking statements. Factors which could cause actual results to differ from these forward-looking statements may include, without limitation, general economic conditions, conditions in the markets in which Wolters Kluwer is engaged, behavior of customers, suppliers and competitors, technological developments, the implementation and execution of new ICT systems or outsourcing, legal, tax, and regulatory rules affecting Wolters Kluwer's businesses, as well as risks related to mergers, acquisitions and divestments. In addition, financial risks, such as currency movements, interest rate fluctuations, liquidity and credit risks could influence future results. The foregoing list of factors should not be construed as exhaustive. Wolters Kluwer disclaims any intention or obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.*

*Growth rates are cited in constant currencies unless otherwise noted.*

# Agenda

- Wolters Kluwer NV - Selection & Remuneration Committee
- Current remuneration policy and how it links to strategy
- Remuneration consultation
- Proposed changes
- Proposed ESG measures in STIP
- Current policy versus proposed changes
- Next steps
- Appendix

# Selection & Remuneration Committee

*The Selection & Remuneration Committee is responsible for Executive Board succession planning and remuneration policy*



## **Frans Cremers**

- Chairman of the Supervisory Board
- Appointed in 2017
- Chairman of the Selection & Remuneration Committee dealing with selection and appointment matters
- Former CFO and member of the Executive Board of VNU N.V.
- Formerly, Chairman or Board Member SBM Offshore, Vopak and other companies



## **Jeanette Horan**

- Member of the Supervisory Board
- Appointed in 2016 and reappointed in 2020
- Chairman of the Selection & Remuneration Committee dealing with remuneration matters
- Former Chief Information Officer at IBM
- Non-Executive Director Nokia Corporation

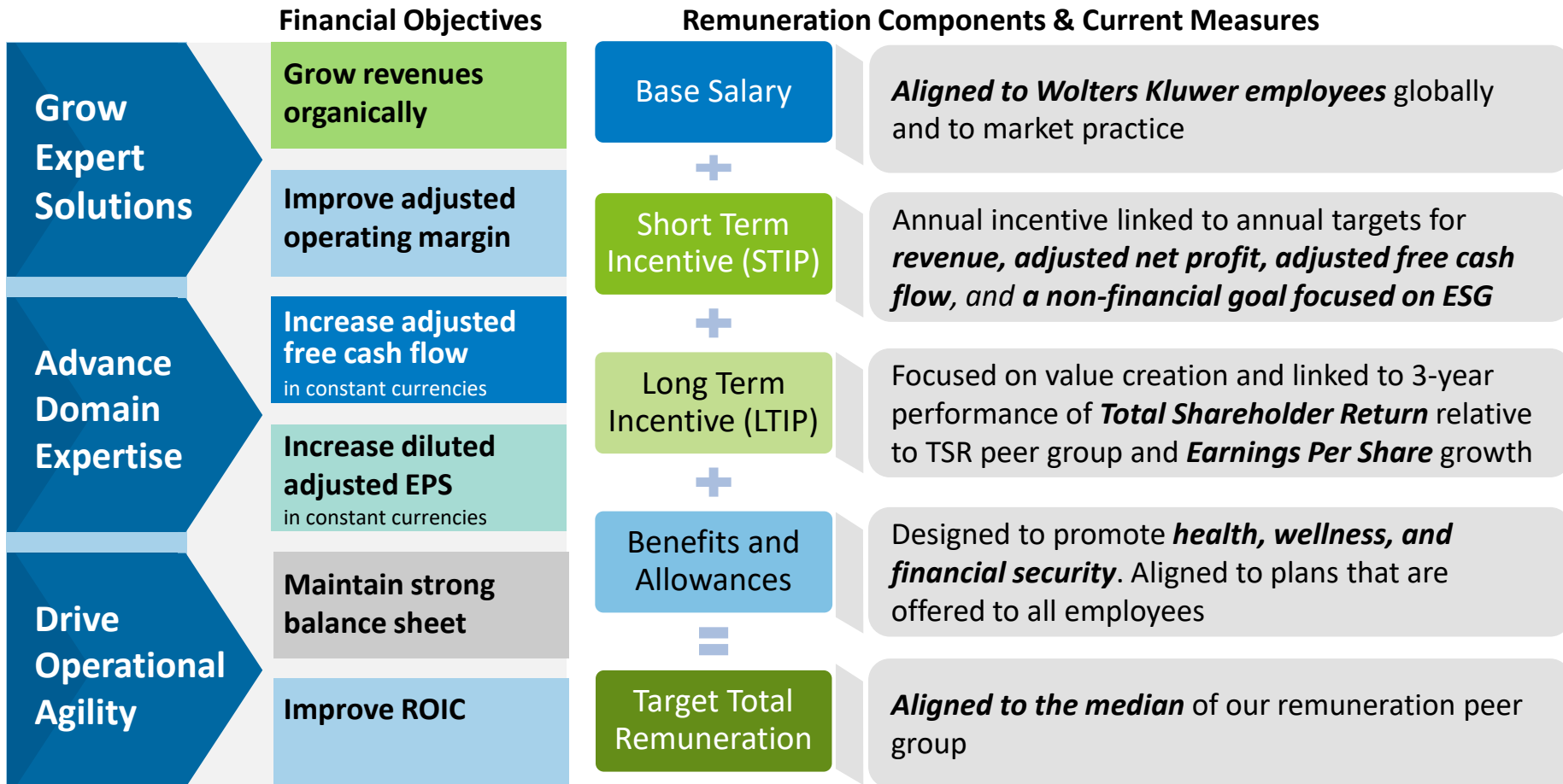


## **Ann Ziegler**

- Vice-Chairman of the Supervisory Board
- Appointed in 2017
- Member of the Selection & Remuneration Committee
- Former Senior Vice President, Chief Financial Officer and Executive Committee Member of CDW Corporation
- Non-Executive Director, Groupon Inc., Hanesbrands Inc. and US Foods

# Current pay policy and link to strategy

*Our goal is to link remuneration to our strategic and financial objectives and to reflect our pay-for-performance philosophy*



# Remuneration consultation

*The Committee has been considering feedback from shareholders with a view to making improvements in 2021*

## Feedback Themes

<b>Remuneration Peer Group and Quantum</b>	Preferences for increased weighting of European companies in the pay peer group and concerns about quantum
<b>LTIP measures</b>	Support for the current LTIP structure combining TSR and EPS, with some expressing a desire to see the inclusion of ROIC Support for replacing diluted EPS with diluted adjusted EPS to align with market practice and metric used for guidance
<b>STIP measures</b>	Preference for a pre-defined list of financial measures Interest in greater emphasis on ESG measures in STIP, especially measures that focus on human capital and data security
<b>Share ownership and holding period</b>	Support for formal share ownership requirements and a post-vesting holding period
<b>Disclosure</b>	Requests to improve disclosure and transparency, greater clarity on targets and how they are set, and on how performance drives outcomes

# Proposed changes

*The Committee believes the following package of changes balances the weight of shareholder opinions and the Committee's objectives*

## Proposed Changes to Remuneration Policy

Remuneration Peer Group and Quantum	<ul style="list-style-type: none"><li>▪ Revise remuneration peer group to include 60% European and 40% North American companies starting in 2021<sup>1</sup></li><li>▪ Reduce CEO LTIP target from 285% to 240% of base salary over two years, thereby reducing total target pay by approximately 10%</li><li>▪ No base salary increase for CEO in 2021<sup>2</sup></li></ul>
LTIP measures	<ul style="list-style-type: none"><li>▪ Replace diluted EPS with diluted adjusted EPS</li><li>▪ Introduce ROIC as a new LTIP measure, starting in 2021: weighting TSR at 50%, diluted adjusted EPS at 30%, and ROIC at 20%</li></ul>
STIP measures	<ul style="list-style-type: none"><li>▪ Introduce pre-defined list of financial measures, weighted minimum 80%</li><li>▪ Increase the weight of ESG measures in STIP to 10% in 2021, maximum 20%</li><li>▪ Include six strategically important ESG measures starting in 2021</li></ul>
Share ownership and holding period	<ul style="list-style-type: none"><li>▪ Introduce minimum share ownership requirements (3x salary for CEO, 2x for CFO)</li><li>▪ Add a 2-year post-vesting holding period</li></ul>
Disclosure	<ul style="list-style-type: none"><li>▪ STIP: start disclosing retrospective STIP targets in 2021</li><li>▪ LTIP: continue disclosing retrospective LTIP targets; evaluate disclosure of prospective targets in future</li><li>▪ Provide greater transparency around thresholds, targets and maximums</li></ul>

1. See Appendix for revised pay peer group. 2. Not part of remuneration policy

# Proposed ESG measures for STIP

*The Committee is proposing the following six strategic, quantifiable and verifiable ESG measures, with a maximum weight of 20%, starting at 10% in 2021*

	Broad ESG Objectives	Proposed ESG Measures (Equal-Weighted)	Definition of Target
Grow Expert Solutions	High Customer Satisfaction	% of revenues from expert solutions	Annual target based on budget
	High Employee Engagement	Employee engagement score	Maintain at or above High Performing Norm
Advance Domain Expertise	Strong Corporate Governance	Advance diversity, inclusion, and belonging by launching new initiatives and developing a dashboard to measure progress	Qualitative targets for 2021
	Secure and Efficient Systems & Processes	% completion rate of annual compliance training including ethics, data privacy, IT and cybersecurity	Meet or exceed 98% (normalized for non-eligible, e.g. employees on leave)
Drive Operational Agility	Secure and Efficient Systems & Processes	Indexed cybersecurity maturity score	Annual target for improvement based on company-wide program
	Environmentally Sound Practices	Number of on-premise servers eliminated or migrated to the cloud, thereby reducing carbon footprint	Annual target based on joint division and Global Business Services (GBS) plan



# Current policy vs proposed changes

*Proposed policy represents meaningful change from the existing policy*

	Existing Policy	Proposed New Policy
Pay peers, % European	50% European	<u>60% European peers</u>
STIP: financial measures	Fully flexible	<u>Set weight to minimum 80% (90% in 2021); introduce a pre-defined list:</u> <ul style="list-style-type: none"> <li>▪ Revenues – weighted at <b>34%</b> for 2021</li> <li>▪ Organic growth – not included for 2021</li> <li>▪ Adjusted operating profit or margin – not included for 2021</li> <li>▪ Adjusted net profit – weighted at <b>28%</b> for 2021</li> <li>▪ Adjusted free cash flow – weighted at <b>28%</b> for 2021</li> <li>▪ Cash conversion ratio – not included for 2021</li> </ul>
STIP: ESG measures	5% weight Single measure: % of revenues from digital products	<u>Increase weight to <b>10%</b> for 2021, maximum 20%, and introduce six ESG measures:</u> <ol style="list-style-type: none"> <li>1. % of revenues from expert solutions</li> <li>2. Employee engagement score vs high performing norm</li> <li>3. Diversity, inclusion and belonging goal</li> <li>4. % completion of annual compliance training</li> <li>5. Indexed cybersecurity maturity score</li> <li>6. Number of on-premise servers eliminated or migrated to cloud</li> </ol>
		Equal-weighted, totaling 10% weight for 2021
LTIP measures	TSR 50% Diluted EPS 50% -	TSR at 50% <u>Change to adjusted diluted EPS at 30%</u> <u>Add ROIC at 20%</u>
Share ownership requirement	-	<u>CEO 3x, CFO 2x base salary</u>
LTIP retention period	3 years vesting	3 years vesting + <u>2 years holding post vesting</u>
LTIP target grant (CEO)	285% of base salary	<u>Reduce to 240% of salary over two years (2021-2022)</u>
LTIP maximum vesting (CEO)	427.5% of salary (150% of target grant)	<u>Reduce to 360% of salary (150% of target grant) over 2 years (2021-2022)</u>



# Next steps

*We welcome your views on the emerging remuneration policy proposal*

## **Next Steps**

- Solicit your views on specific changes proposed
- Assess feedback from consultation process and continue investor dialogue
- Finalize remuneration policy proposal
- February 24, 2021: Release of 2020 Full-Year Results
- March 10, 2021: Publication of 2020 Annual Report
  - Provide finalized new policy proposal in AGM materials
- April 22, 2021: Annual General Meeting 2021
  - Due to rules specific to The Netherlands, we need at least 75% of votes to be in favor in order to be able to adopt the proposed remuneration policy

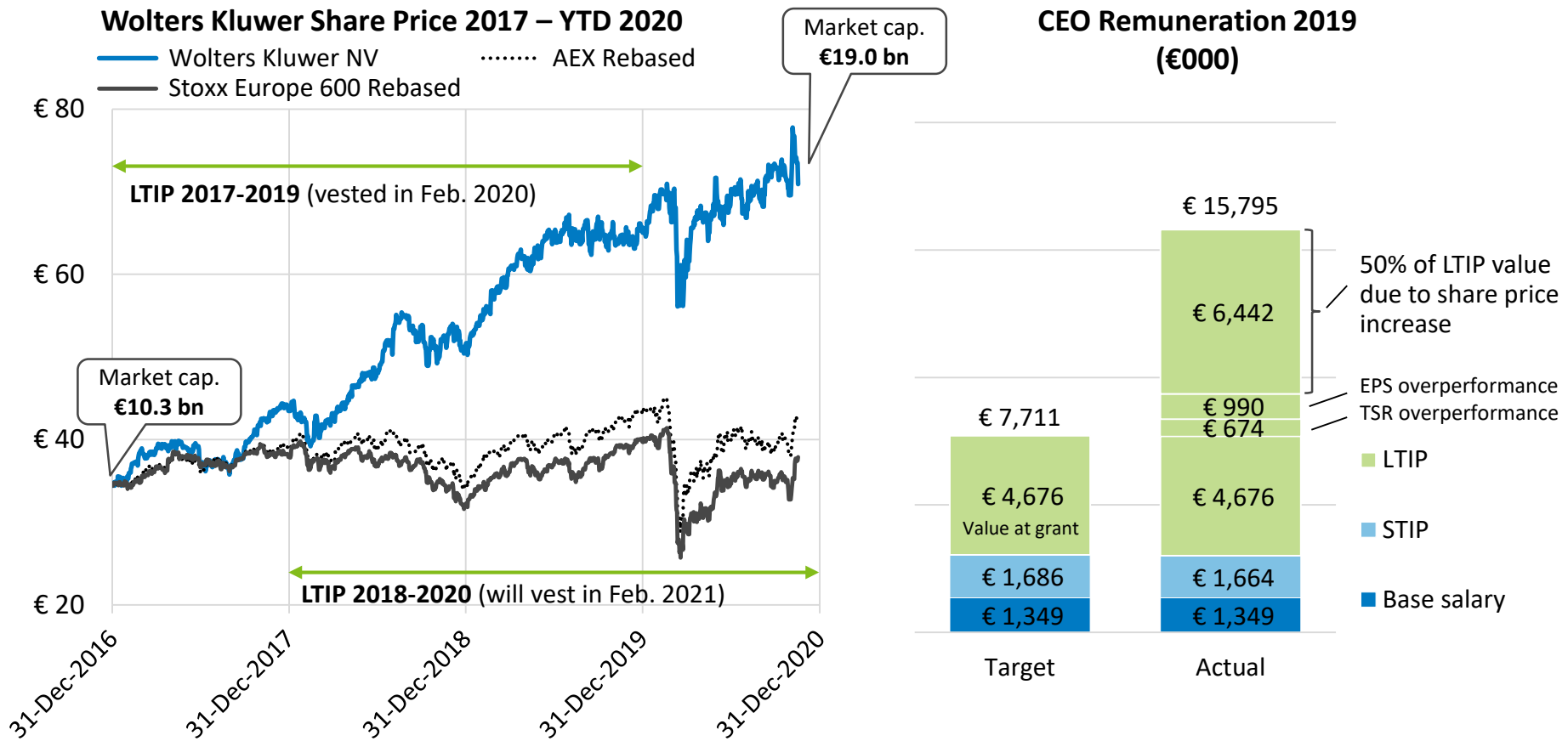
# Appendix



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# Remuneration target and outcome

Share price increase over the 3-year performance period drove 50% of the realized value of LTIP incentive paid in 2019



Indices rebased to Wolters Kluwer share price. As of 16 Nov. 2020

LTIP target value at grant based on share price on grant date, 1 Jan. 2017: €34.42.   
 LTIP total actual value based on VWAP share price on payout date, 27 Feb. 2020: €69.39

# Remuneration peer groups

The Committee plans to add five industry peers to the pay peer group, shifting the weight of European companies to 60%

Category	2021 Pay Peer Group	2021-2023 LTIP TSR Peer Group	GICS Sub-Industry
<b>Wolters Kluwer Competitors</b>	-	John Wiley & Sons	<i>Publishing</i>
	IHS Markit Ltd.	IHS Markit Ltd.	<i>Research &amp; Consulting Services</i>
	Informa Plc	Informa Plc	<i>Advertising</i>
	Intuit Inc.	-	<i>Application Software</i>
	Pearson Plc	Pearson Plc	<i>Publishing</i>
	RELX Plc	RELX Plc	<i>Research &amp; Consulting Services</i>
	<a href="#">Temenos AG</a>	-	<i>Application Software</i>
	The Sage Group Plc	The Sage Group Plc	<i>Application Software</i>
<b>Wolters Kluwer GICS Sub-Industry</b>	Thomson Reuters Corporation	Thomson Reuters Corporation	<i>Research &amp; Consulting Services</i>
	Bureau Veritas SA	Bureau Veritas SA	<i>Research &amp; Consulting Services</i>
	Equifax Inc.	Equifax Inc.	<i>Research &amp; Consulting Services</i>
	Experian Plc	Experian Plc	<i>Research &amp; Consulting Services</i>
	Intertek Group Plc	Intertek Group Plc	<i>Research &amp; Consulting Services</i>
	Nielsen Holdings Plc	-	<i>Research &amp; Consulting Services</i>
	SGS SA	SGS SA	<i>Research &amp; Consulting Services</i>
	<a href="#">Teleperformance SA</a>	-	<i>Research &amp; Consulting Services</i>
	Verisk Analytics Inc	Verisk Analytics Inc	<i>Research &amp; Consulting Services</i>
	<b>Other GICS Sub-Industries</b>	<a href="#">Atos SE</a>	-
<a href="#">Capgemini SE</a>		-	<i>IT Consulting &amp; Other Services</i>
<a href="#">Dassault Systemes SA</a>		-	<i>Application Software</i>
MSCI Inc.		-	<i>Financial Exchanges &amp; Data</i>
News Corporation		News Corporation Class A	<i>Publishing</i>
NortonLifeLock Inc.		-	<i>Systems Software</i>
S&P Global, Inc.		S&P Global, Inc.	<i>Financial Exchanges &amp; Data</i>

Notes: Norton LifeLock was formerly named Symantec prior to the sale of Symantec's enterprise security business to Broadcom Inc.

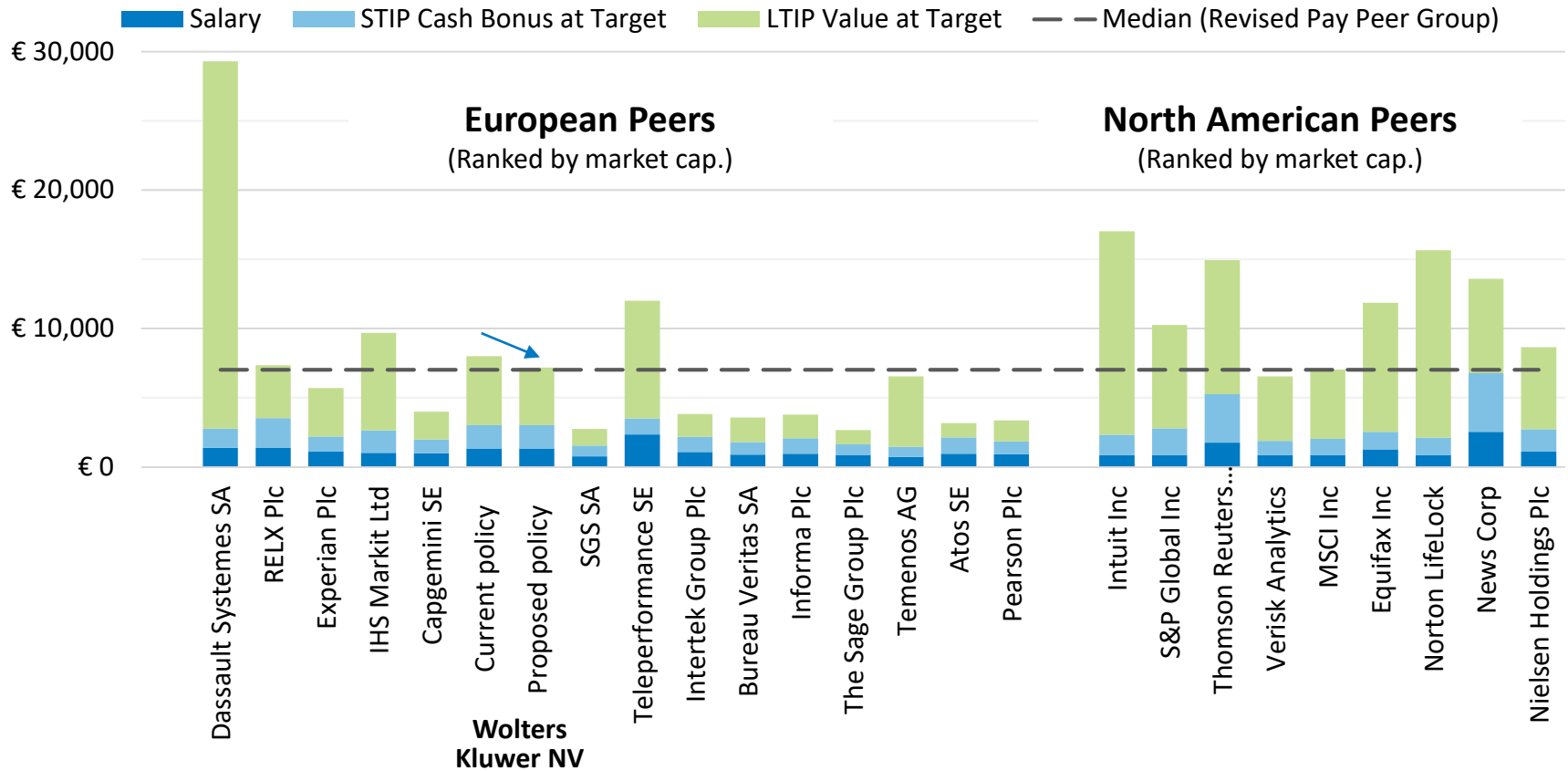
In case of delisting or merger of a peer, the Supervisory Board will select a replacement that meets strict pre-determined criteria. Criteria include industry, geographic focus, company size, company financial health, TSR correlation and volatility, and historical TSR performance.

The Supervisory Board selects pay peers from companies of comparable size, complexity, industry or business profile, and international scope. The benchmark group is comprised of comparable companies in Europe and the US, taking into consideration the companies and geographic locations where Executive Board members might be recruited to or from.

# Revised pay peer group

Target pay is aligned with median of peer group

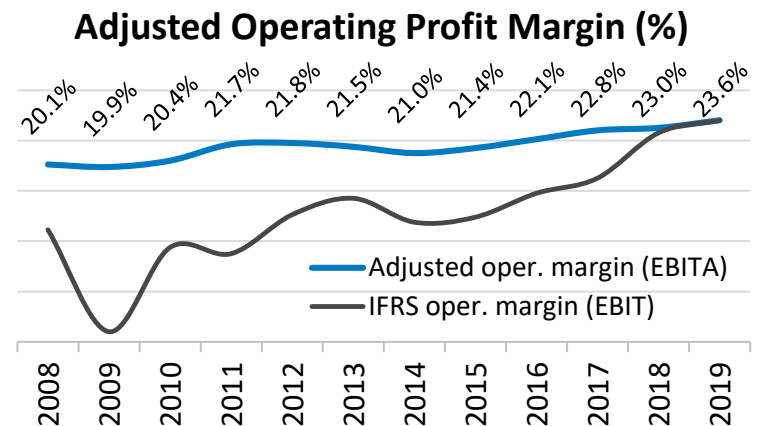
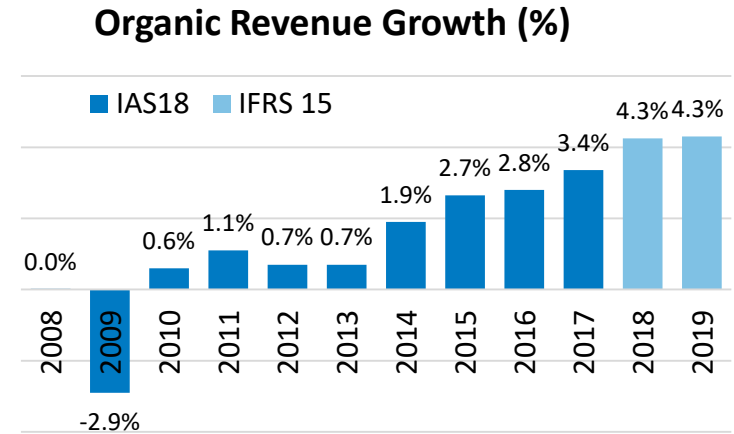
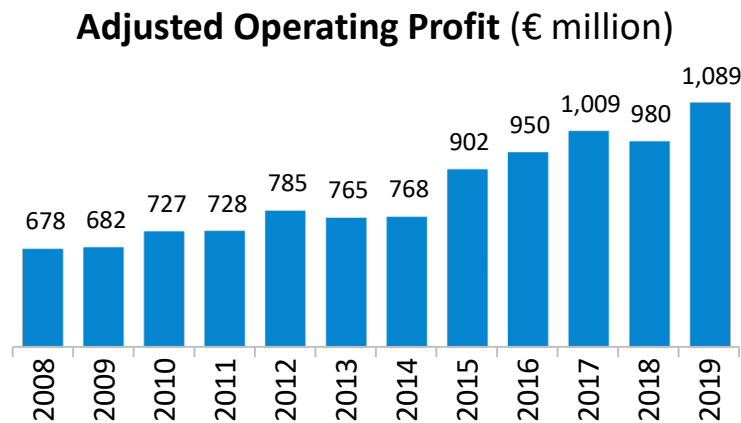
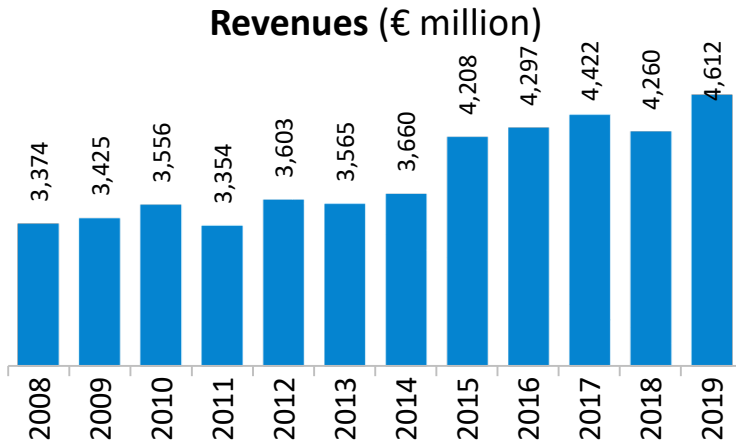
## 2021 Pay Peer Group – Total Compensation at Target



Source: Ranked by market cap as of 17 November 2020. Publicly disclosed data from 2019 annual reports and proxy statements. Amounts in €000's. At target amounts represent compensation for performance at 100% of target.

# Financial performance

*Wolters Kluwer has a multi-year track record of improving organic growth and adjusted operating profit margin*

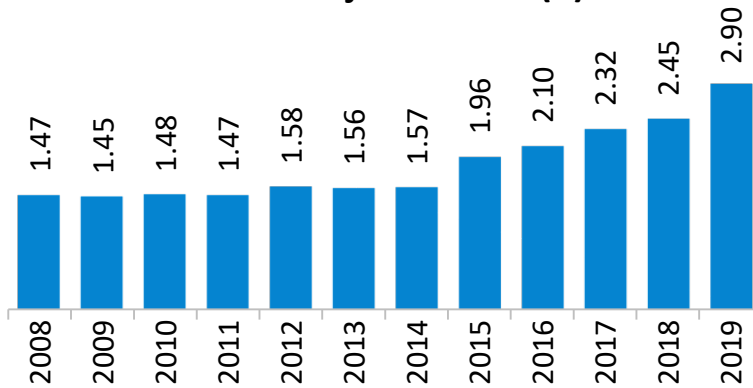


Source: revenue, organic growth, adjusted operating profit and margin as reported in annual report for corresponding year (excluding later restatements for changes in IFRS standards or for discontinued ops.).

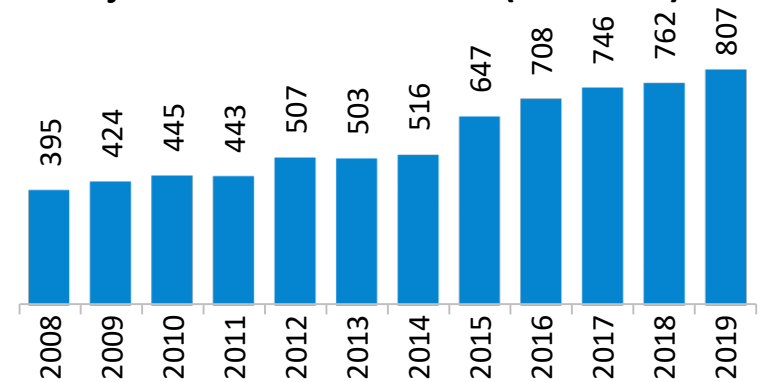
# Financial performance

*And has delivered increases in diluted adjusted EPS, adjusted free cash flow, and return on invested capital (ROIC)*

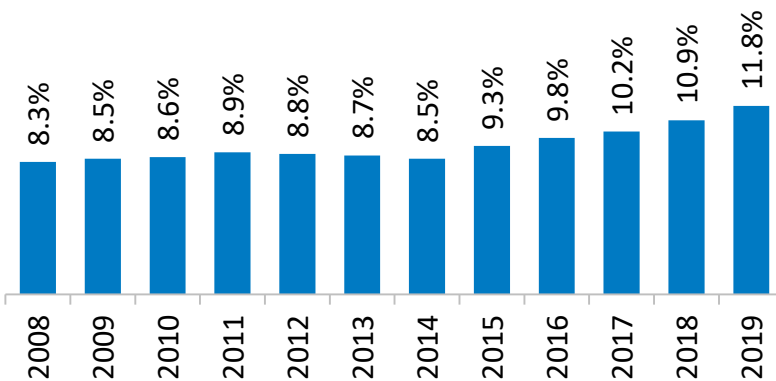
### Diluted Adjusted EPS (€)



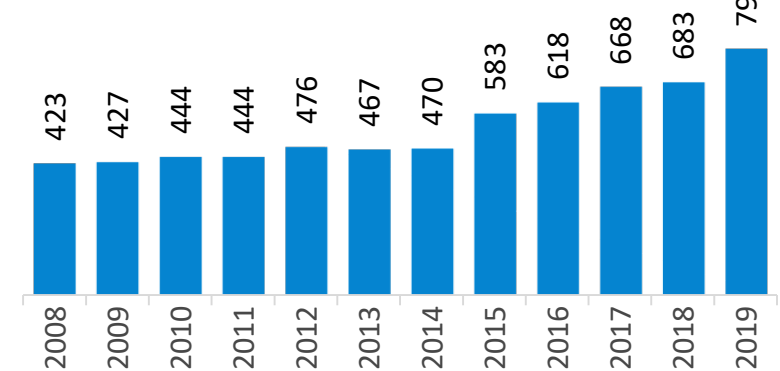
### Adjusted Free Cash Flow (€ million)



### Return on Invested Capital (ROIC) (%)



### Adjusted Net Profit (€ million)



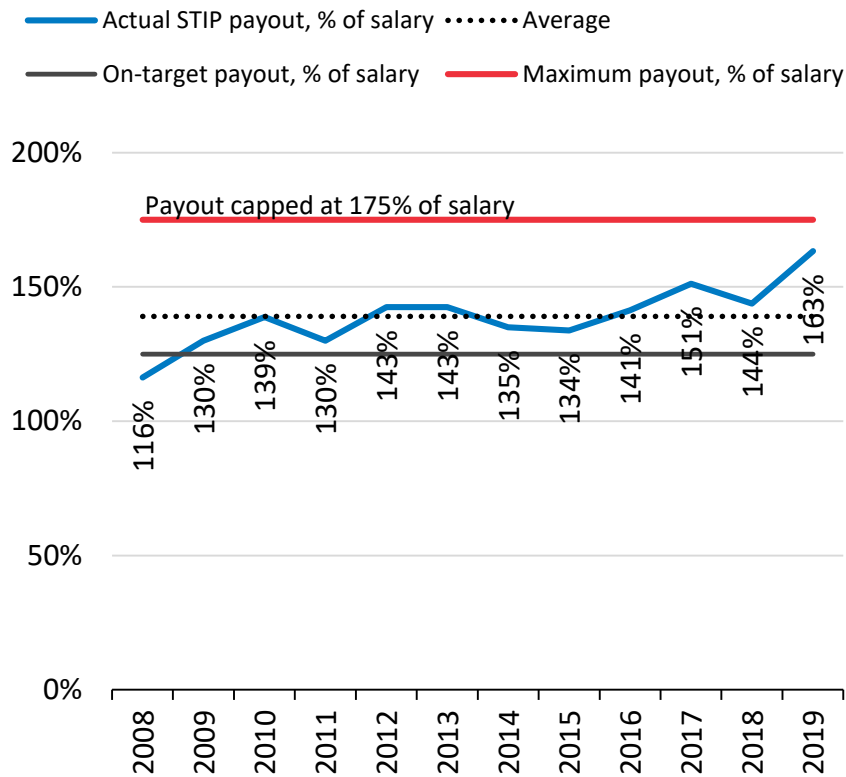
Source: diluted adjusted earnings per share, adjusted free cash flow and ROIC reported in annual report for corresponding year (excluding later restatements for changes in IFRS standards or for discontinued ops.).



# CEO pay outcome

Over 12 years: average LTIP payout has been at target while average STIP payout has been slightly above

### Actual STIP Payout as % of Salary



### Actual LTIP Vesting as % of Salary

