

Analysis of the AEX and AMX 2020 Annual Reports published to date

Based on our analysis of the **38** remuneration reports published, we note:

- The implementation of SRD encouraged many companies to bring policies to vote in 2020. In the 2021 reports, we note less appetite for change.
- The impact of COVID-19 on executive compensation differs per industry due to the variation of the (financial) impact. Companies that have applied COVID-19 related pay cuts and/or variable compensation adjustments typically also cancelled their 2020 dividend payments and/or applied for governmental support. Approximately 1/3rd of the companies applied COVID-19 related adjustments.

Impact COVID-19 Pandemic



6 companies (temporarily) **reduced** the base salary of their Executive Board members during 2020 by **10 – 50%** for a period of **3 – 8 months**.

6 companies **cancelled** the annual (STI) bonus payouts of their Executive Board members over 2020. **2** companies have exercised **downward discretion** on their STI bonus payout.



1 company decided to **waive** the vesting of the LTI award related to the performance period 2018 – 2020, and **1** company **deferred** vesting to 2022.

None of the companies **cancelled** their 2021 LTI award. **1** company is applying **discretion** by excluding 2020-2021 performance on their outstanding LTI plans.

3 companies (temporarily) **reduced** the fees of their Supervisory Board members in line with the reduction of the Executive Board members at each respective company.



CEO Base Salary



For the **5** companies that have already disclosed a CEO salary increase for 2021, the average increase is **6.5%**.

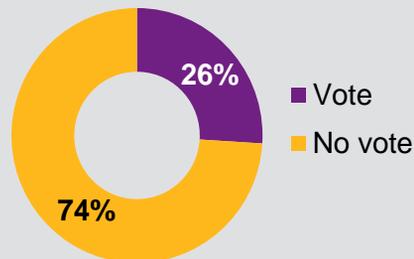
40% of the CEOs received no salary increase in **2020**.



+2.5%

Median CEO salary increase in **2020** (including zeros).

Remuneration Policy EB



26% of the companies bring their Executive Board remuneration policy to vote at the next AGM. Most are revisions with minor changes to last year's (approved) policies.

Variable Compensation EB



The proposed revisions in remuneration policies mainly include changes in STI and/or LTI metrics (often adding an ESG metric) and weightings. **4** of the companies propose changing STI or LTI target levels or the pay-mix, of which **2** companies propose **lower maximum levels** and **2** companies propose **higher target** levels.

4 companies propose to change the STI performance measures and **3** companies propose changing the weighting of STI performance measures.



6 companies propose to change the LTI performance measures and **5** companies propose to change the weighting of LTI performance measures.

Actual STI Pay-out



58% of the companies that operate an STI plan paid out CEO bonuses below target over 2020. The median CEO bonus payout was **94%** of target over 2020.

Remuneration Policy SB

3 companies bring their Supervisory Board remuneration policy to vote.



Median **Chair** annual retainer increase for the 3 companies that increase fee levels in **2021**.

1 of these companies proposes changing the fee structure by introducing committee fees.



Median **Member** annual retainer increase for the 3 companies that increase fee levels in **2021**.

Storytelling through the Remuneration Report



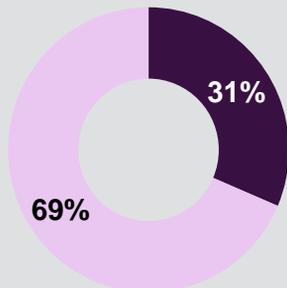
40% of the companies have included a personalized Chair's Letter as introduction to the remuneration report. Chair's Letters enhance the overall storytelling and include topics relevant for remuneration decision making over 2020 (e.g., impact of COVID-19).



We observe increased reporting on shareholder engagement and acknowledgement of previous year's AGM results by means of shareholder proposals around increased disclosure, shareholding requirements and notice periods.

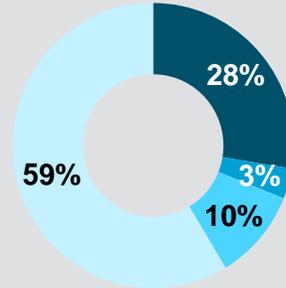
Disclosure of Variable Compensation Targets

STI target setting disclosure



■ Backward ■ Forward ■ Both ■ None

LTI target setting disclosure



■ Backward ■ Forward ■ Both ■ None

- The majority of the companies analyzed do not disclose their STI target setting, neither backward- nor forward looking.
- Commercial sensitivity is provided as the main reason for not disclosing STI target setting.

- Approximately half of the companies disclose (part of) their LTI target setting, either backward looking, forward looking or both.
- Forward looking disclosure of LTI target setting is typically only applied for sustainability related performance measures*.

*Relative TSR is excluded from the analysis

Proxy voting recommendations and 2021 AGM results

Our analysis of the **38** AGM's held to date (June 23rd, 2021) shows:

- For most companies, both the Executive and Supervisory Board remuneration policies and remuneration reports are **approved** with a large majority (often above 90%).
- 2 proposed Executive remuneration policies did not reach the required 75% approval rate. 1 remuneration report did not receive majority shareholder approval (>50%). Both policies and report had received ISS **"against"** recommendations.
- ISS is strongly taking the actions that companies took regarding the **impact of Covid-19** in consideration when giving their voting recommendation.

ISS Voting Recommendations

Remuneration Report (N=38)



Executive Board Remuneration Policy (N=10)



Supervisory Board Remuneration Policy (N=3)

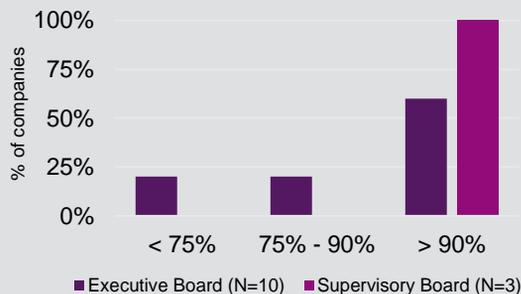


■ For ■ Against

Rationale "against" recommendations

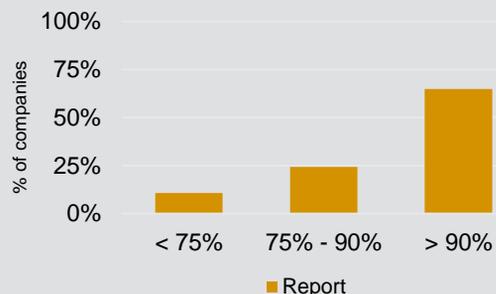
- Remuneration Report:** Poor disclosure on pay for performance for the variable compensation plans (including application of upward discretion), absence of responsiveness to stakeholder feedback, in-flight adjustments to long-term incentive plans, payment of bonuses while receiving government support and/or reducing the workforce due to Covid-19, and excessive pay are main reasons for an "against" recommendation.
- EB Remuneration Policy:** Inadequate disclosure on variable incentive scheme and performance metrics, questionable target setting, and a perceived overly aggressive pay-mix are main reasons for ISS to give an "against" recommendation.

Voting: Remuneration Policies



- Misalignment of the proposed compensation policy with shareholder interests, pay-for-performance disconnect, and poor disclosure of the performance conditions are the main reasons to vote against the Executive Board remuneration policies.
- Voting result is aligned with ISS recommendation for all policies put up for vote.

Voting: Remuneration Report



- Analysis on voting behavior shows that the use of discretionary powers, poor disclosure of applied performance targets and achievements of such targets, in-flight changes to long-term incentive awards, excessive pay and lack of responsiveness to previous shareholder feedback were the main reasons to vote against the report.
- Voting behavior is aligned with ISS recommendation for approximately **80%** of the reports.

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