

## 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%**.

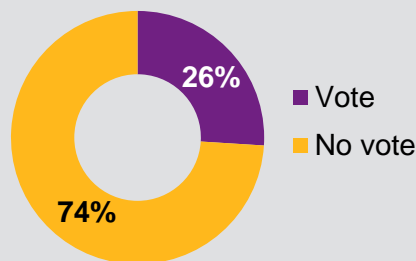
**40%** of the CEOs received no salary increase in **2020**.



**+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.

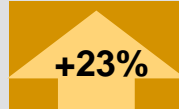
### Remuneration Policy SB

**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



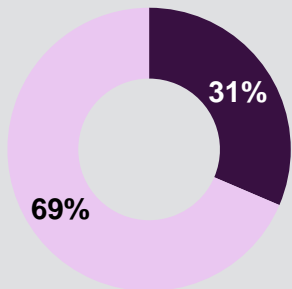
**40%** of the companies have included a personalized Chair's Letter as introduction to the remuneration report. Chair's Letters enhance the overall storytelling and include topics relevant for remuneration decision making over 2020 (e.g., impact of COVID-19).



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.

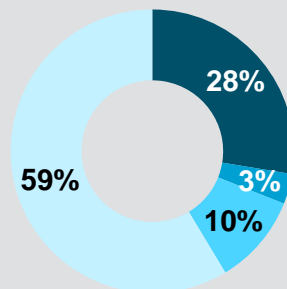
### Disclosure of Variable Compensation Targets

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 23<sup>rd</sup>, 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)

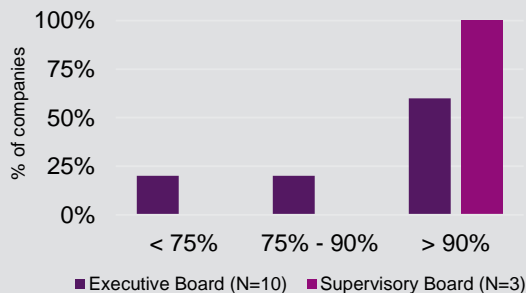


■ For ■ Against

### Rationale "against" recommendations

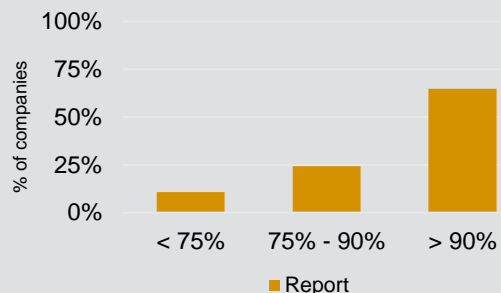
- Remuneration Report:** Poor disclosure on pay for performance for the variable compensation plans (including application of upward discretion), absence of responsiveness to stakeholder feedback, in-flight adjustments to long-term incentive plans, payment of bonuses while receiving government support 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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