Key observations on 2024 remuneration reports

Stability in disclosure, limited impact from the CSRD and noticeable use of discretion

- Pay-for-performance disclosure has stabilized, marked by the transition of remuneration reports into more engaging communication tools emphasizing stakeholder engagement and a (personal) narrative, including increased transparency and the incorporation of summary sections and increased use of visuals.
- Following the CSRD, companies are required to produce disclosures in accordance with the European Sustainability Reporting Standards. While some of these standards encompass (executive) remuneration elements, we observe only very limited spill-over effect into the remuneration report disclosures. Most notable changes are seen in (additional) pay ratio disclosures.
- A considerable number of RemCos have exercised discretion or deviated from policies to modify STI or LTI outcomes and performance measurement. This involved both upward and downward adjustments, primarily to acknowledge the overall financial performance delivered or reflect outcomes in light of overall stakeholder and societal perspectives.

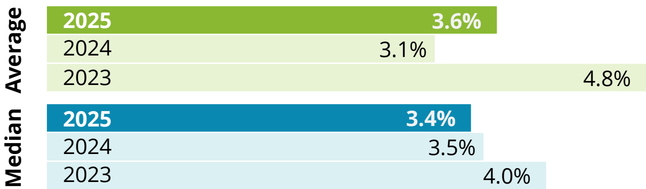
Spotlight on CEO pay developments…

- FY2024 CEO base salary increases were more modest and generally in line with the wider workforce, reflecting a stabilization in inflation levels. Prospective disclosure for FY2025 suggests a similar picture.
- Pay ratios seem to stabilise in general, however year-on-year developments per company can fluctuate significantly. Compared to last year, pay ratios have increased (Average = 38 in 2024, 35 in 2023, Median = 27 in 2024, 22 in 2023).

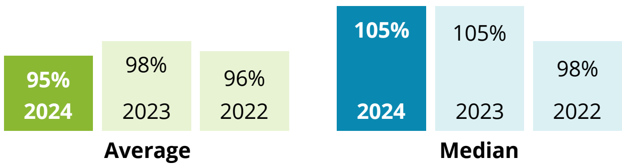
… and Incentive outcomes

- STI payout levels are similar to last year, whereas LTI vesting levels have decreased, potentially indicating that the targets for the 2022 LTI awards were more challenging than initially anticipated due to recent economic uncertainty.
- Similarly to last year, we observe a large spread in outcomes for LTI vesting levels, resulting in a noticeable disparity in average vs. median statistics.
- LTI vesting levels for non-financial KPIs remain (significantly) higher than for financial KPIs and there is limited spread in outcomes (75% of outcomes are above target levels).

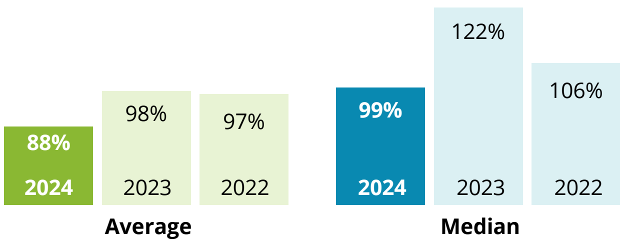
CEO Base salary increases



CEO STI payout (as % of target)



CEO LTI vesting (as % of target)



This analysis is based on 43 AEX/AMX/AScX companies with their legal entity and/or HQ in the Netherlands that have published their remuneration report over FY2024 before March 25, 2025.

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2025 AGM expectations and developments in operational effectiveness

Relatively few policies (approx. 25% EB, 15% SB) will be brought to vote after busy 2024 AGM season

- Executive Board policy proposals are mostly a continuation of existing policies with updates to incentive framework, quantum and governance provisions.
- While some proposals consists of arrangements that have sought flexibility in pay positioning or incentive levels, companies have refrained from making more drastic policy changes such as the introduction of hybrid LTI plans to address pay gaps with international competitors.
- Supervisory Board policy proposals focus on (moderate) increases (5%-20%) in Annual Retainer and Committee Fees.
- Some companies have increased the levels for additional remuneration elements such as international or intercontinental travel allowances to enhance their international competitiveness. This has been favored over making significant increases in fee levels, introducing equity awards or ring-fenced compensation approach for global board members.

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Notable exceptions that propose significant LTI target and maximum levels:

- **Randstad** (CEO: 350% max).
- **ASML** (potential 900% LTI maximum levels in business-critical circumstances).

As Remuneration Committees continuously aim to optimize the effectiveness of their remuneration policy, we observe three developments in monitoring and execution that we support clients on:

Tailoring annual AGM debriefs increasing the RemCo's ability to make informed decisions

The setup and content of the annual RemCo calendar are changing. Previously, the four-year policy review served as main trigger to assess current remuneration design against peer practices. In response to evolving needs, detailed AGM debriefs are included to the early summer meetings to provide the RemCo deep dives on local and international peer practices and market developments.

Recalculating (higher) discount rates applied for mandatory holding periods benefitting recipients

Companies increasingly realizing they are leaving money on the table during holding period discounts by following the standardized discount rates published by the Dutch State Secretary of Finance. Companies can make an agreement with the Dutch Tax Authorities for an alternative approach which can result in significant reductions for participants in Box 1 (i.e., taxes on personal income) and Box 3 (i.e,. taxes on income from savings and investments).

Improving performance measurement procedures for TSR reducing overall cost to company

Companies have historically balanced between accuracy, timeliness, cost and external credibility. Opposed to outsourcing completely / fully servicing in-house, we increasingly observe companies to adopt a hybrid approach where in collaboration with the external provider the internal team is trained and equipped to run measurements (at any given time in the year) complemented with the external provider's annual formal vesting performance measurement and reporting that can be – amongst others – shared with the external auditor.