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Recalibrating Supervisory Board Remuneration

Moving towards a sustainable fee model

January 2026

There is no right answer and a 'reset' of existing fees will not be required for all companies. However, viewed from a range of perspectives, there is a case for change.

As companies face an unprecedented pace of change - including geopolitical shifts, advances in AI and environmental disruption - there is increasing focus on attracting and retaining high-calibre Supervisory Board members with diverse skills and experience. While remuneration is rarely the primary driver for accepting or retaining such roles, the fairness and appropriateness of Supervisory Board fee levels have come under growing pressure.

This pressure reflects a sustained increase in time commitment and responsibilities, a relatively limited and increasingly international talent pool, heightened reputational and personal risk, and increased scrutiny from investors and proxy advisors, including around overboarding. In many cases, particularly in two-tier board structures, time commitment is converging towards that of one-tier boards without a commensurate evolution in fee levels. Maintaining competitive remuneration therefore supports not only fairness and proportionality, but also long-term governance quality and sustainability.

In response, many companies have pursued incremental measures, such as modest increases in retainers, expanded travel or expense allowances, or simplified committee fee structures. While these steps may improve transparency or consistency, they are largely tactical and do not adequately reflect the fundamental evolution of the role.

From an (inter)national competitiveness perspective, a more structural and forward-looking approach is therefore required. Supervisory Board remuneration frameworks should evolve to reflect the increased scope, accountability and intensity of the role, including appropriate differentiation by role and expected time commitment. A more decisive recalibration would better align remuneration with current expectations under the Dutch Corporate Governance Code and support the company's long-term governance effectiveness.

Over the past two years more than 75% of Dutch-headquartered listed companies have submitted revised Supervisory Board remuneration policies for shareholder approval, with such proposals consistently receiving strong support. This implies that investors recognize that fees have not always been fair and appropriate, and that there may be room for further adjustments.

The Supervisory Boards' evaluation framework in assessing the necessity for a reset constitutes of six steps:

1. Role evolution and time commitment
2. Responsibility, accountability and risk
3. (Inter)national competitiveness
4. Internal differentiation and structure
5. Effectiveness of prior adjustments
6. Shareholder and governance context

Please refer to the next pages for more insights on the changing profiles in the Supervisory Board [page 3], (inter)national competitiveness of the fee structures [page 4] and suggested evaluation framework [page 5].

With more diverse, internationally experienced boards and greater responsibilities, fees must be competitive to retain talent and safeguard governance.

For many Dutch-listed companies, Supervisory Board membership is evolving toward greater (gender) diversity and an increasing emphasis on international and cross-sector experience, reflecting the growing complexity of strategy, risk, ESG, and stakeholder expectations. While (executive) experience remains prevalent, boards are gradually incorporating members with broader skills and perspectives, though age and generational diversity remain areas for further development. These shifts align with both the Dutch Corporate Governance Code and broader international investor expectations.

These changes in Supervisory Board profiles have implications for fee levels. Boards that are more diverse, include internationally experienced members, or attract high-calibre executives, operate in a more competitive talent market. Combined with greater responsibilities and time commitment, this creates pressure to ensure fees remain fair, competitive and aligned with the evolving demands of the role, supporting both retention and long-term governance quality.

Below, we zoom in on two of these underlying drivers that touch upon the fairness (time commitment) and competitiveness (international talent market).

Over the past decade the time commitment for supervisory board members has grown significantly and is no longer measured by formal meetings alone. Directors now spend many additional hours on shareholder and stakeholder engagement, adviser briefings, due diligence, site visits and ongoing oversight of issues such as cyber, ESG and regulatory compliance — often outside normal hours and between scheduled meetings. Fee levels should therefore reflect this broader, more intensive and continuous workload, not just the number of meetings.

For the 50 largest companies listed on the Amsterdam Stock Exchange, roughly 50% of Supervisory Board positions are held by non-Dutch individuals, marking an increase from 40% a decade earlier. While this may not apply to every Dutch-listed company, it illustrates that the talent market for Supervisory Board members is increasingly international in nature. Even when comparing only to other Dutch peers, companies compete for the same pool of candidates, including the growing number of non-Dutch directors.

Supervisory Board fees have generally lagged broader pay trends and increasingly misaligned with international norms, complicating recruitment of top international non-executives.

In the Netherlands, Supervisory Board fee levels have tended to lag inflation and broader remuneration developments within the organization and the market. While executive and wider workforce pay have generally been adjusted to reflect inflationary pressures, labor market dynamics and increasing role complexity, Supervisory Board fees have often remained static or have increased only modestly – despite the aforementioned ramp up in time and exposure.

Average increase Chair

3.2% p.a.

Average total remuneration increased from € 138,000 to € 188,500 in the past ten years.

Average increase Member

2.1% p.a.

Average total remuneration increased from € 77,000 to € 95,150 in the past ten years.

Average negotiated wage growth

3.0% p.a.

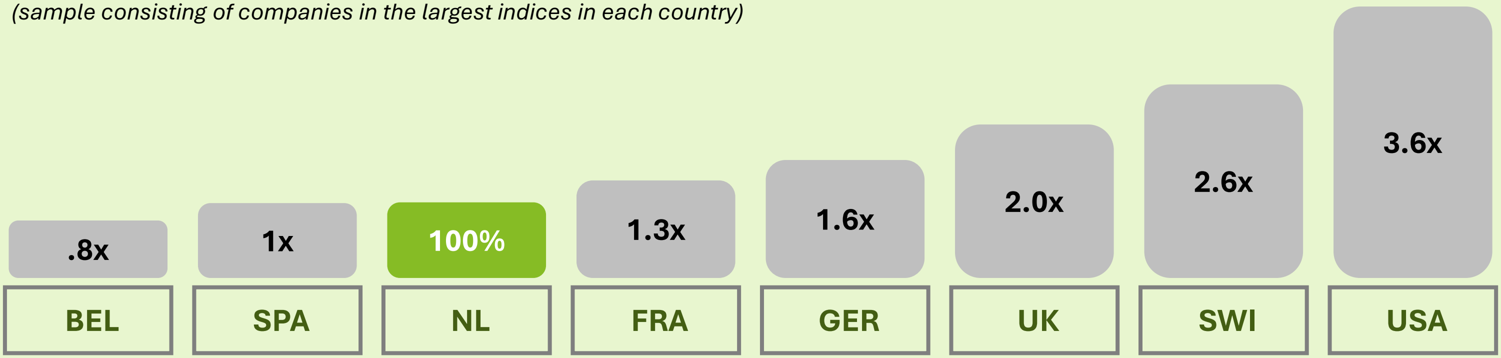
in the Netherlands over the same period.

From an (inter)national competitiveness perspective, prolonged misalignment undermines the company's ability to attract and retain high calibre Supervisory Board members. Other countries have historically and/or are progressively recognizing the expanded scope and intensity of the non-executive role in their fee levels and structures.

- Despite recent increases, fee levels in the Netherlands are generally remain below fee levels in other Western-European countries (for companies comparable in size).
- Dutch companies face significant challenges when recruiting Supervisory Board members abroad, especially in North America. As most North American companies pay fees in a combination of cash and shares, the absence of shares in Supervisory Board compensation for most Dutch & European companies, creates a significant gap in fee levels.

International comparison of average non-executive data across countries

(sample consisting of companies in the largest indices in each country)



This evaluation framework helps determine whether a more structural recalibration is warranted with weighting varying by company.

Evolution of the role and time commitment

Assess whether current fee levels still reflect the actual time spent and responsibilities assumed by Supervisory Board members. This includes increased meeting frequency, deeper involvement in strategy, risk, ESG and technology oversight, crisis management, and a higher level of preparation outside formal meetings.

Scope of responsibility, accountability and risk

Consider the qualitative change in accountability of the Supervisory Board role, including heightened regulatory expectations, personal liability, reputational exposure and stakeholder scrutiny. Fees should remain proportionate but also reflect the increased intensity and personal risk associated with the role.

Internal consistency and differentiation

Differentiation should be transparent, principled and linked to role demands, rather than driven by historic conventions or benchmarking data. Review whether the fee structure appropriately differentiates between:

- The Chair and other Supervisory Board Members; and,
- Committee Chairs and Members; and,
- Roles with materially higher expected time commitment or responsibility.

Competitiveness and talent market dynamics

Evaluate fee levels against a relevant peer group, including international companies where appropriate, recognizing that Supervisory Board members operate in a limited and increasingly international talent market. Persistent misalignment with market practice may constrain the company's ability to attract and retain high-calibre, diverse candidates with the required expertise.

Effectiveness of past adjustments

Critically assess whether incremental measures taken in recent years (e.g., allowances, smaller retainer increases, committee fee convergence) have had a meaningful impact, or whether they have merely preserved the status quo in real terms.

Shareholder expectations and governance

Consider shareholder and proxy advisor guidance and behavior, including recent voting outcomes on Supervisory Board remuneration policies. Strong support for non-sensitive proposals in recent years suggests there may be scope for well-reasoned, transparent and proportionate changes, provided the rationale is clearly articulated. Any larger increases need strong narrative and should be tested in investor engagement meetings.