Executive and non-executive remuneration survey 2024

Overview of AEX, AMX and AScX market practice | September 2024

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Introduction

Dear reader,

We are delighted to present the findings of our latest executive and non-executive remuneration survey to you. We have analysed the remuneration of executives and non-executives at listed companies on Euronext Amsterdam (AEX, AMX and AScX) for the 2023 reporting year.

Executive remuneration remains a hot topic and under the watchful eye of investors, proxy advisors and the public domain. After the Shareholders Rights Directive came into effect in 2019, companies have adapted to the increased disclosure on executive remuneration. With the introduction of the Corporate Sustainability Reporting Directive (CSRD), which seeks to make sustainability objectives clear and establishes a common standard for listed companies in Europe, companies also have to deal with higher transparency demands within the field of Environmental, Social, and Governance (ESG). With the increasing importance of stakeholder engagement and society's opinion, companies are facing new challenges in managing executive remuneration effectively. This in addition to the increased and broader interest of stakeholders on executive remuneration as an indicator of strategy and commitment to the ESG agenda. As a result of this, a benchmark analysis solely based on pay levels is flawed as more company specific information needs to be considered. It is neither an art nor a science, but actual executive remuneration levels should have a consistent outcome that is linked to the company's strategy (including on ESG) and culture.

There is a clear trend in ESG metrics being more widely used as key performance indicators (KPIs) for executive incentives, both short- and long-term. Furthermore, as the actual LTI payouts, across the three Euronext indices, exceed the target or reach maximum levels, we observe that the executives are now reaping the rewards of the awards and KPIs that were set during the years of the COVID-19 pandemic. This illustrates the continuous difficulties for organisations in identifying the right KPIs and establishing the appropriate goals.

We have conducted an analysis of executive remuneration within 75 Dutch listed companies, included in the AEX, AMX, and AScX indices, based on their executive pay disclosures for the 2023 reporting year. Our publication offers a concise overview of key executive remuneration issues, provides insights into the field of executive remuneration, and discusses relevant trends and developments. The report serves as a useful tool for reviewing your current executive remuneration policies and determining their suitability for the future. Additionally, it can facilitate discussions with both internal and external stakeholders.

We trust you find this survey an interesting and thought-provoking read and look forward discussing this with you in further detail. For contact details, please see page 46.

Your sincerely,

Celine Buys - Partner
Frank van Oirschot – Senior Director
Sander Schouten – Director

Summary Data Factsheet 2023-2022

Based on the analysis contained in this report, the development of the remuneration for 2023 compared to 2022 provides the following insights.

% Change of Base Pay from 2022 to 2023						
	CEO		CFO		OED	
Index	Range	Average	Range	Average	Range	Average
AEX	0.5%-8.0%	+4.2%	0.3%-6.4%	+4.4%	0.0%-9.2%	+5.0%
AMX	0.0%-8.5%	+7.3%	1.5%-9.2%	+8.6%	3.8%-24.9%	+13.3%
AScX	0.6%-7.4%	+4.9%	2.5%-8.4%	+5.7%	2.6%-5.8%	+3.8%

% Change of TDC from 2022 to 2023						
	CEO		CFO		OED	
Index	Range	Average	Range	Average	Range	Average
AEX	0.5%-8.0%	+5.1%	0.3%-9.6%	+5.4%	0.0%-9.2%	+6.1%
AMX	3.7%-37.3%	+16.0%	4.5%-10.1%	+10.8%	5.1%-35.3%	+17.9%
AScX	3.3%-17.1%	+10.2%	4.6%-17.2%	+10.8%	5.8%-11.5%	+8.5%

% Change of SB/NED Remuneration from 2022 to 2023						
	% Change of Chairperson Fee		% Change of Member Fee		CEO-to-Chairperson Pay Ratio in 2023	
	CEO		CFO		OED	
Index	Range	Average	Range	Average	Range	Average
AEX	0%-11.1%	+6.1%	0%-7.5%	+4.8%	5.8x-7.8x	7.1x
AMX	0%-14.5%	+6.5%	0%-14.3%	+5.6%	5.2x-8.2x	6.9x
AScX	0%-6.8%	+5.5%	0%-10.4%	+8.0%	6.3x-8.9x	7.3x

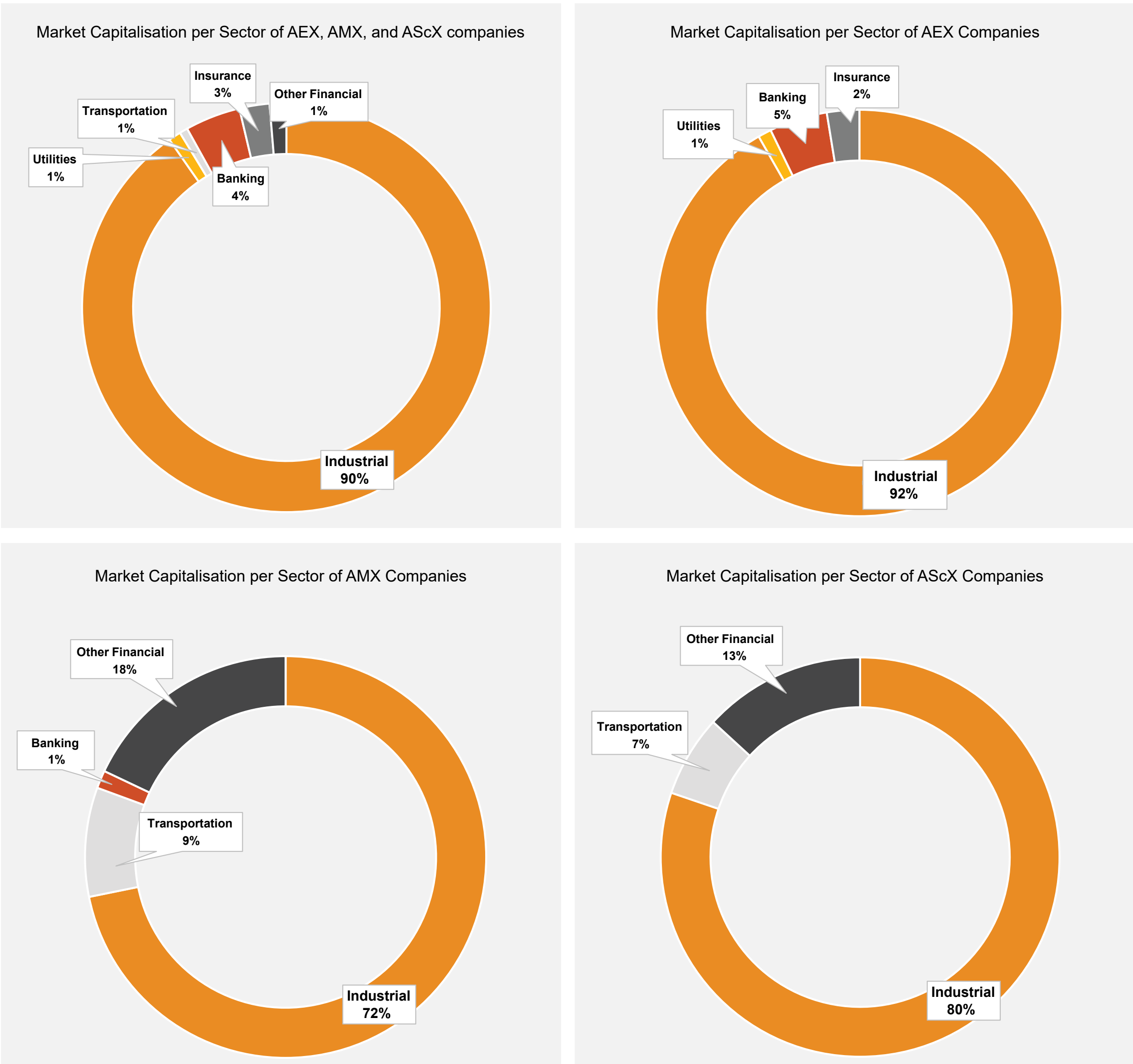
* The range is between the lower quartile and the upper quartile.

Note, the definitions used are explained in the next sector, on page 6.

Survey information and definitions

The data for this survey has been collected from companies listed on the AEX, AMX, and AScX indices, as published by Euronext Amsterdam, as at December 2023. The figures below provide a breakdown of the industry of the companies included in this survey overall and per index based on market capitalisation.

Figure 1. Market capitalisation per Sector



Overall, the Industrial sector asserts a significant presence in the Netherlands, dominating the market with 90.25% of the total market capitalisation. The Banking sector also holds a notable portion of the market at 4.37%. Contributions from the Insurance sector amount to 2.38%, while Other Financials constitute 1.32% of the market. The Transportation and Utilities sectors account for 0.65% and 0.98% of the market capitalisation respectively.

This is generally reflected in the AEX index, whereas companies in the Other Financial and Transport industries are represented in the AMX and AScX indices.

The following definitions are applied in this publication.

Base salary: All fixed salary and allowance payments excluding benefits and pension.

Short-term incentive (STI): All cash and equity-based payments accrued to an individual over a period equal to or shorter than 12 months.

Long-term incentive (LTI): All cash and equity-based payments accrued to an individual over a period longer than 12 months.

Total Cash Compensation (TCC): Base salary + STI.

Total Direct Compensation (TDC): TCC + LTI.

Remuneration levels rarely follow a normal distribution curve and tend to fluctuate. For this reason, we have used quartile ranges rather than averages and standard deviations, which consider normality. The quartiles used are defined as follows.

Lower quartile (25th percentile): 75% of the population earn more and 25% earn less than this level.

Median (50th percentile): 50% of the population earn more and 50% earn less than this level.

Upper quartile (75th percentile): 25% of the population earn more and 75% earn less than this level.

In this publication, we have analysed the remuneration of the following statutory positions: Chief Executive Officer (CEO), Chief Financial Officer (CFO) and Other Executive Directors (OED) and provide only the key findings. Remuneration levels are, in principle, showed at at-target levels, unless indicated otherwise. Where a company does not provide an LTI or the at-target levels for LTIs are not published, TDC may equal TCC.

Further insights on executive and non-executive remuneration can be made available via your regular contact person at PwC or by contacting any of the specialists included in the contacts section of this survey (see page 46).

Executive remuneration levels

Executive remuneration versus company size

The level of executive remuneration in a company is largely determined by its size, which is best reflected in factors such as market capitalisation, total assets, revenues, and full-time equivalents (FTEs). These size indicators provide a basis for evaluating the compensation packages of executives. However, it is important to consider other factors that influence executive remuneration, such as the complexity of the business and industry-specific considerations. Additionally, the country in which the company is based, where its main activities are conducted, or where the majority of its investor base resides may also impact remuneration levels.

When determining executive remuneration, we recommend that companies strike a balance between external benchmarking and considering a relevant remuneration reference group. External benchmarking allows companies to compare their remuneration practices with industry peers, the labour market and competitors. However, it is equally important to consider the maturity and life phase of the company and the company culture that is promoted by leadership, the internal equity and ensure that executive remuneration aligns with the broader employee population within the company. This approach promotes fairness and transparency in compensation practices.

Investors and other stakeholders place great importance on the link between executive remuneration levels and the achievement of strategic goals. It is crucial for companies to establish a clear connection between executive compensation and the long-term value creation objectives of the organisation. This alignment ensures that executives are incentivised to drive sustainable growth and success, which ultimately benefits shareholders and other stakeholders.

Table 1, shown below, presents the annual average base salary and TDC of CEOs for all companies listed on the AEX, AMX, and AScX indices. These figures are determined based on the companies' market capitalisation, total assets, revenues, and FTEs in 2023.

Table 1. Average CEO annual base salary and TDC of AEX, AMX and AScX-listed companies based on market capitalisation, total assets, revenue, and FTEs

Market capitalisation, Total assets and Revenue Range in EUR billion	Market capitalisation (EUR billion)		Total assets (EUR billion)		Revenue (EUR billion)		FTEs Range	Base salary (EUR '000)	TDC salary (EUR '000)
	Base salary (EUR '000)	TDC salary (EUR '000)	Base salary (EUR '000)	TDC salary (EUR '000)	Base salary (EUR '000)	TDC salary (EUR '000)			
Up to 0.5	456	768	399	828	460	875	Up to 100	377	552
From 0.5 up to 1.0	623	1,528	595	1,292	597	1,318	From 100 up to 1,000	681	1,624
From 1.0 up to 2.0	704	1,456	686	1,828	750	1,802	From 1,000 up to 2,000	769	1,171
From 2.0 up to 5.0	854	2,243	704	1,490	750	1,793	From 2,000 up to 5,000	721	1,736
From 5.0 up to 20.0	1,040	2,970	943	2,794	1,177	3,720	From 5,000 up to 10,000	745	1,879
From 20.0 up to 100.0	1,172	3,790	1,226	5,021	1,265	4,142	From 10,000 up to 100,000	1,011	3,005
Above 100.0	1,500	6,892	1,465	2,922	1,610	8,450	Above 100,000	1,555	6,949

* This data has been derived from a PwC analysis of Annual Reports and Remuneration Reports from the year 2023. The figures for market capitalisation, total assets, revenue, and FTEs are as of 31 December 2023. All remuneration amounts have been rounded to the nearest 1,000 euros for simplification and ease of comparison.

Table 2, shown below, compares the average CEO base salary and TDC for companies across the AEX, AMX, and AScX indices, with a breakdown by market capitalisation, total assets, revenue, and FTEs. Additionally, it provides multiples to illustrate the relative scale of each index compared to the others in terms of these financial metrics and CEO compensation.

Table 2. Comparative Analysis of CEO Compensation by Index and (non-)Financial Metrics

Index	Market capitalisation (EUR million)	Total assets (EUR million)	Revenue (EUR million)	FTEs	CEO base salary (EUR '000)	CEO average annual TDC (EUR '000)
AEX	46,360	118,917	33,258	39,401	1,201	3,751
AMX	3,370	7,975	3,584	13,813	794	2,254
AScX	423	940	1,154	4,184	511	973
AEX: AMX	13.8x	14.9x	9.3x	2.9x	1.5x	1.7x
AEX: AScX	109.5x	126.6x	28.8x	9.4x	2.4x	3.9x
AMX: AScX	8.0x	8.5x	3.1x	3.3x	1.6x	2.3x

* Multiple of 13.8x means that the average market capitalisation of the AEX-index is 13.8 times the average market capitalisation of the AMX-index, whilst average base salary of the CEO is 1.5 times as high.

Executive remuneration pay mix

Table 3, shown below, provides detailed information on the remuneration for CEOs, CFOs, and OEDs across AEX, AMX, and AScX listed companies. Compensation figures are in EUR '000 and cover base salary, STI, TCC, LTI, and TDC. It also details the year-over-year percentage change for base salary and TDC.

Table 3. (Policy) Remuneration Levels for CEO, CFO, and OEDs in AEX, AMX, and AScX Listed Companies (in EUR '000)

Index	Position	Pay level	Base salary (EUR '000)	Change base salary 2022 vs 2023	STI (as % of base salary)	TCC (EUR '000)	LTI (as % of base salary)	TDC (EUR '000)	Change TDC 2022 vs 2023
AEX	CEO	lower quartile	837	0%	22%	1,294	10%	1,920	0%
		median	1,217	3%	100%	2,103	143%	3,174	4%
		upper quartile	1,560	8%	121%	2,864	200%	5,346	8%
	CFO	lower quartile	683	0%	17%	1,053	31%	1,523	0%
		median	810	2%	80%	1,395	125%	2,380	4%
		upper quartile	1,050	6%	100%	1,693	165%	2,806	9%
	OED	lower quartile	663		0%	677	0%	677	
		median	677		60%	1,026	90%	1,417	
		upper quartile	731		70%	1,300	100%	2,167	
AMX	CEO	lower quartile	644	0%	35%	925	20%	1,151	0%
		median	750	4%	60%	1,187	100%	1,890	4%
		upper quartile	966	7%	98%	1,847	163%	3,164	25%
	CFO	lower quartile	390	2%	8%	563	0%	656	3%
		median	529	5%	50%	816	85%	1,174	6%
		upper quartile	645	10%	73%	952	100%	1,603	12%
	OED	lower quartile	421		0%	619	0%	683	
		median	645		50%	907	90%	1,497	
		upper quartile	816		75%	1,129	100%	1,793	
AScX	CEO	lower quartile	416	0%	30%	551	0%	610	2%
		median	553	4%	40%	804	35%	784	7%
		upper quartile	624	8%	66%	918	60%	1,193	13%
	CFO	lower quartile	292	2%	0%	354	0%	354	2%
		median	348	5%	33%	443	30%	533	7%
		upper quartile	463	8%	45%	638	60%	880	12%

* Year on year change for OEDs of AEX an AMX listed companies are not included for lack of data availability.
** OEDs of AScX listed companies is not included due to lack of data availability.
*** Companies with no variable remuneration are also included.

Table 4, shown below, gives further insight in remuneration levels based actual STI and LTI payouts based on actual achievement of performance conditions.

Table 4. (Actual) Remuneration Levels for CEO, CFO, and OEDs in AEX, AMX, and AScX Listed Companies (in EUR '000)

Index	Position	Pay level	Base salary (EUR '000)	STI (as % of base salary)	TCC (EUR '000)	LTI (as % of base salary)	TDC (EUR '000)
AEX	CEO	lower quartile	837	10%	1,181	0%	1,931
		median	1,217	84%	1,952	95%	3,214
		upper quartile	1,560	126%	2,916	287%	5,926
	CFO	lower quartile	683	8%	989	11%	1,444
		median	810	55%	1,358	140%	2,188
		upper quartile	1,050	124%	1,887	269%	4,130
	OED	lower quartile	663	0%	677	0%	677
		median	677	22%	867	0%	1,072
		upper quartile	731	55%	1,211	134%	1,769
AMX	CEO	lower quartile	644	41%	1,036	16%	1,321
		median	750	73%	1,263	87%	1,971
		upper quartile	966	119%	1,969	182%	2,955
	CFO	lower quartile	390	34%	710	0%	848
		median	529	68%	899	33%	1,067
		upper quartile	645	94%	1,043	124%	1,611
	OED	lower quartile	421	7%	657	0%	657
		median	645	75%	984	9%	1,338
		upper quartile	816	92%	1,129	55%	1,723
AScX	CEO	lower quartile	416	21%	551	2%	589
		median	553	38%	749	14%	872
		upper quartile	624	66%	1,004	54%	1,250
	CFO	lower quartile	292	16%	377	0%	401
		median	348	36%	481	7%	576
		upper quartile	463	57%	728	31%	872

* OEDs of AScX listed companies are omitted for lack of data availability.
** Companies with no variable remuneration are also included.

Figure 2, shown below, shows the mix between base salary, STI, and LTI for CEOs, CFOs, and OEDs per index.

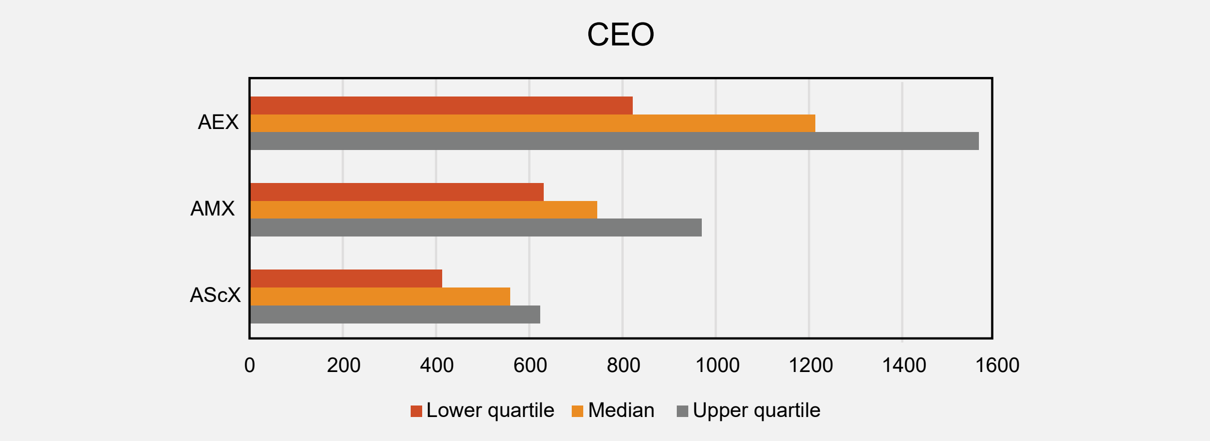
Figure 2. CEO, CFO and OEDs pay mix of AEX, AMX and AScX listed companies

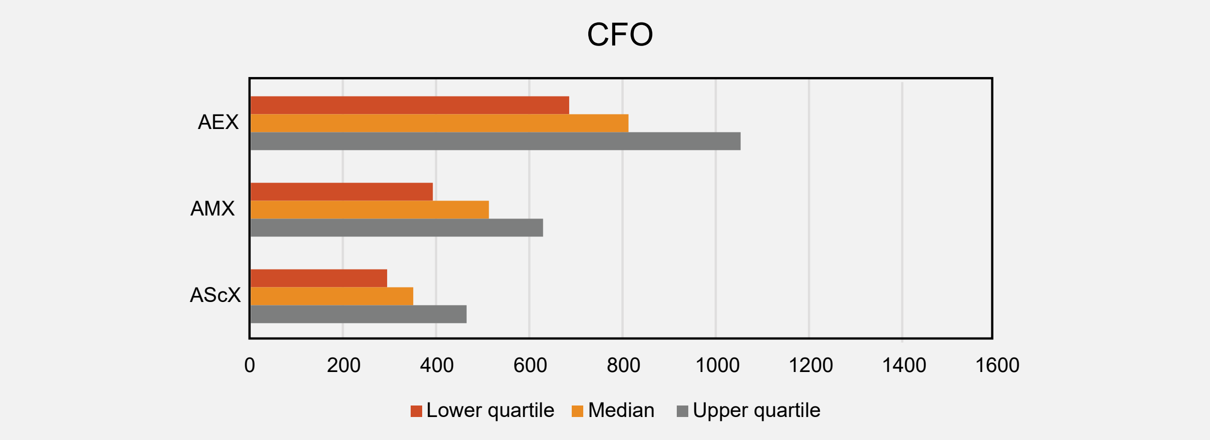
* The sum of salaries per category/index/position is used for calculating the pay mix.

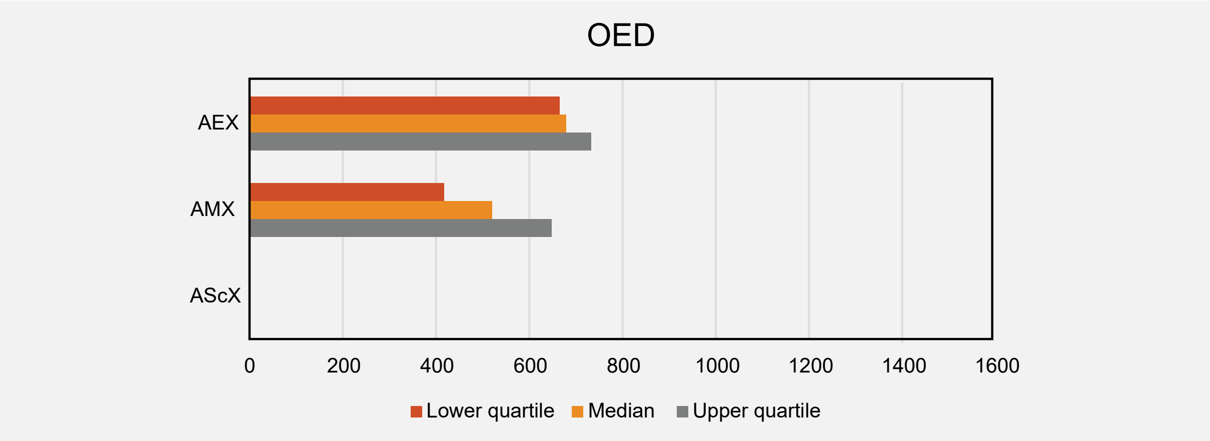
Figure 3, shown below, illustrates the base salary and TDC levels of CEO, CFO, and OED positions per index.

Figure 3. CEO, CFO and OEDs lower quartiles, median and upper quartiles of base salary and TDC of AEX, AMX and AScX listed companies (in EUR '000) – *Part 1*

Base Salary



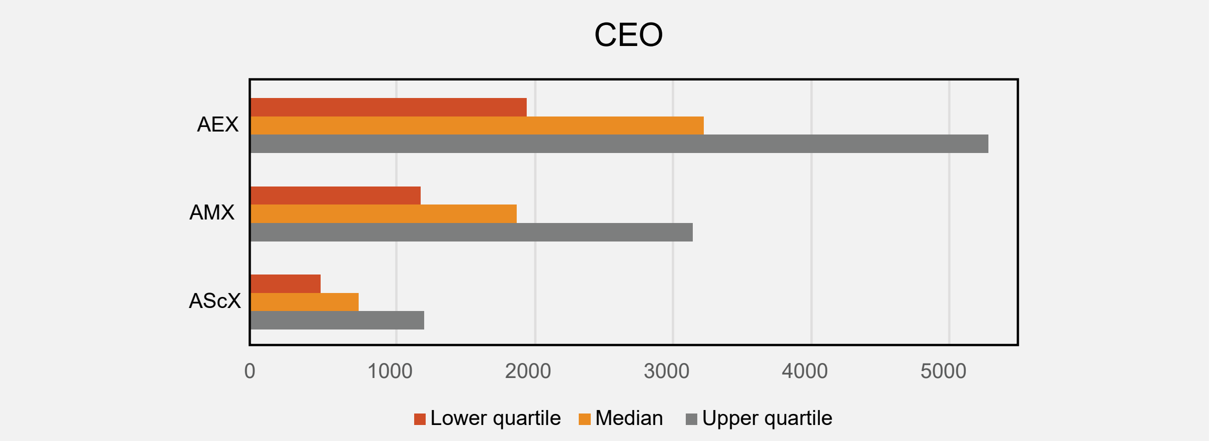


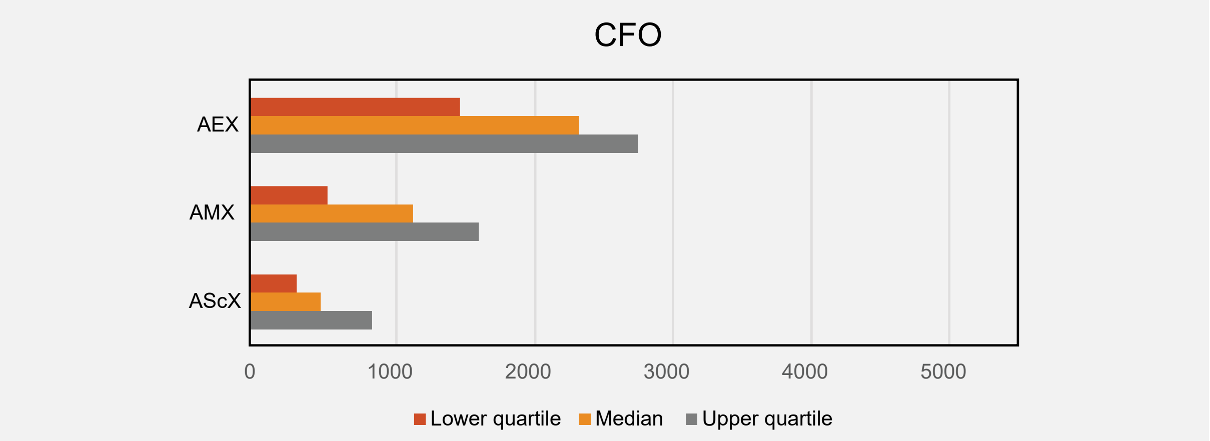


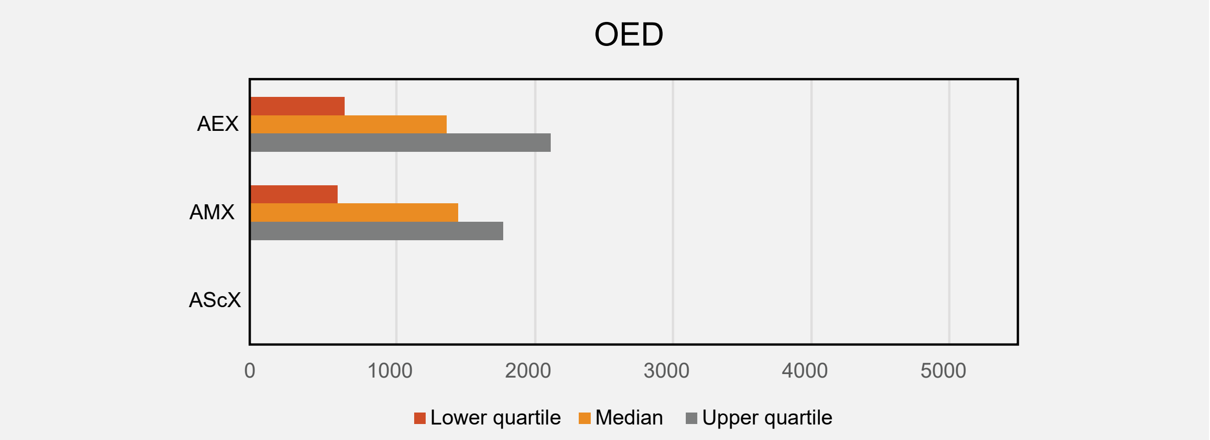
* OEDs of AScX listed companies are omitted for lack of data availability.

Figure 3. CEO, CFO and OEDs lower quartiles, median and upper quartiles of base salary and TDC of AEX, AMX and AScX listed companies (in EUR '000) – *Part 2*

TDC







* OEDs of AScX listed companies are omitted for lack of data availability.

Key findings

- The pay mix across different indices (AEX, AMX, and AScX) varies, with CEOs in AEX companies having a higher proportion of their TDC coming from LTI, compared to AMX and AScX.
- The median base salary and TDC for CFOs and OEDs also follow a similar pattern, with AEX-listed companies offering higher compensation than those listed on the AMX and AScX, indicating a clear distinction in pay scales among these indices.
- For all positions and indices, there is a notable increase in compensation from the lower quartile to the upper quartile, reflecting a significant variance in remuneration within each role.

Incentives

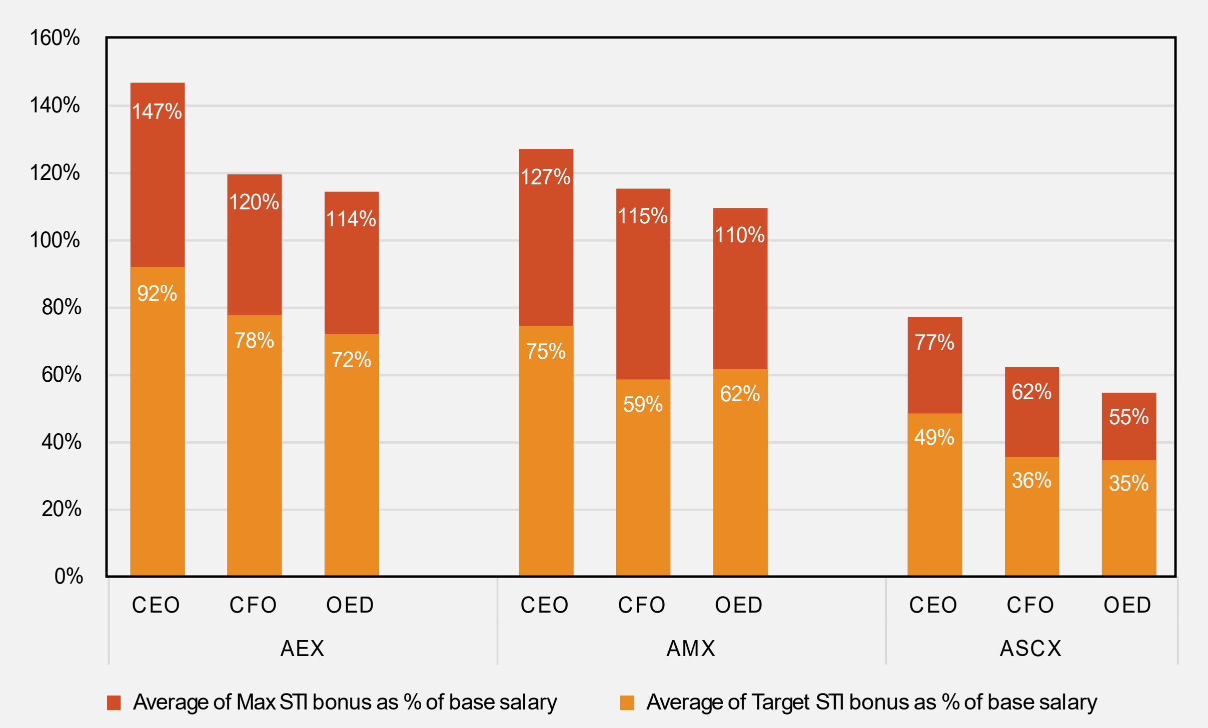
Companies should ensure variable pay performance targets are aligned to the goals and business strategy of the organisation. Performance targets should, therefore, be tailored to each company's specific circumstances to ensure that pay-for-performance is achieved.

In recent times, there has been increased attention on pay-for-performance. Shareholders now have a greater say in determining executive pay, and society is more vocal about excessive payouts without proper performance justifications. It is no longer acceptable to reward failure without a clear explanation based on performance-related factors. This requires companies to provide more transparency and clarity on the performance indicators used and the practices employed to measure them, including the appropriate use of discretion.

Short-term Incentives

Figure 4, shown below, illustrates the average differential between at-target and maximum pay out levels used for STI per index (so-called performance incentive zone).

Figure 4. Average target and maximum STI levels as % of base pay of AEX, AMX and AScX companies



* The figure includes only companies with STI plans

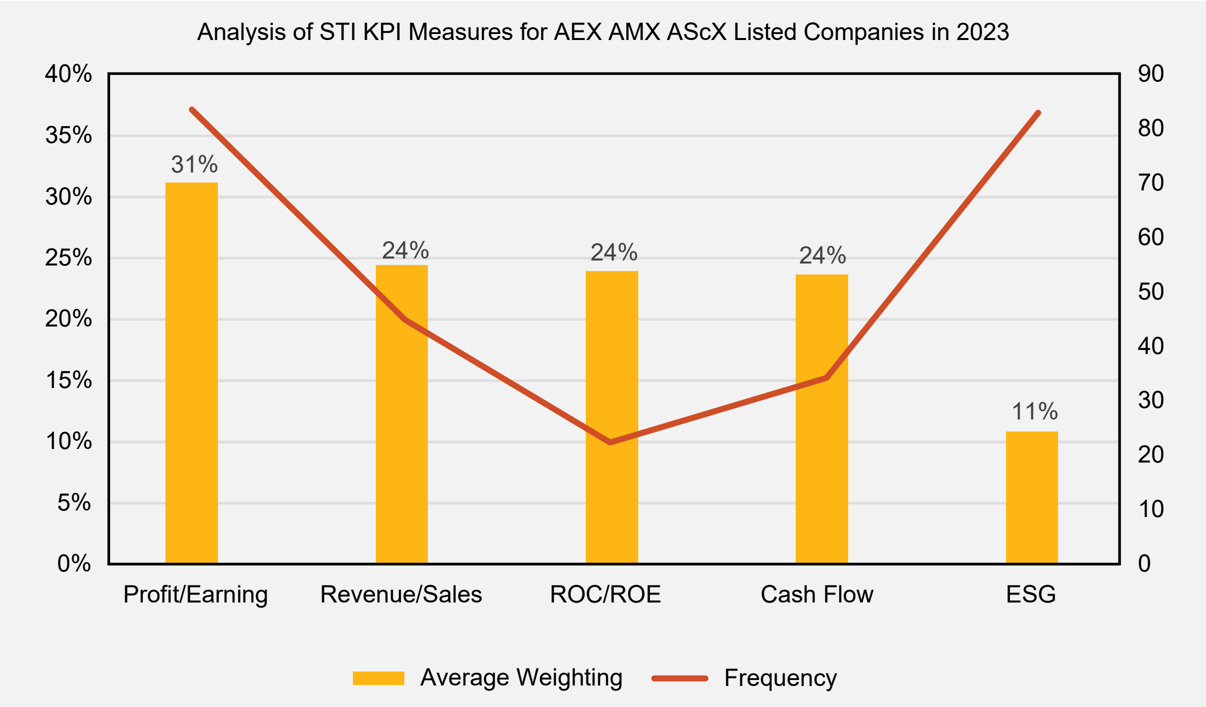
Key findings

- CEOs are awarded the highest average STI bonuses as a percentage of base salary across all indices, with AEX CEOs at the top with a maximum STI bonus potential of 147%.
- The average STI bonuses show a descending trend from the AEX to the AMX and further to the AScX index, highlighting a correlation between the size of the index and the magnitude of the STI bonuses.
- The gap between maximum and target STI bonuses suggests a significant performance incentive zone, where executives are encouraged to exceed targets to achieve the maximum possible bonus.

Short-term Incentive KPIs

Figure 5, shown below, presents a comprehensive analysis of the STI KPIs utilised by companies listed on the AEX, AMX, and AScX for the year 2023. The data showcases the frequency of each measure's usage and the lower weighting assigned to them, reflecting their importance in the incentive schemes of these companies.

Figure 5. Most commonly used KPIs for STI



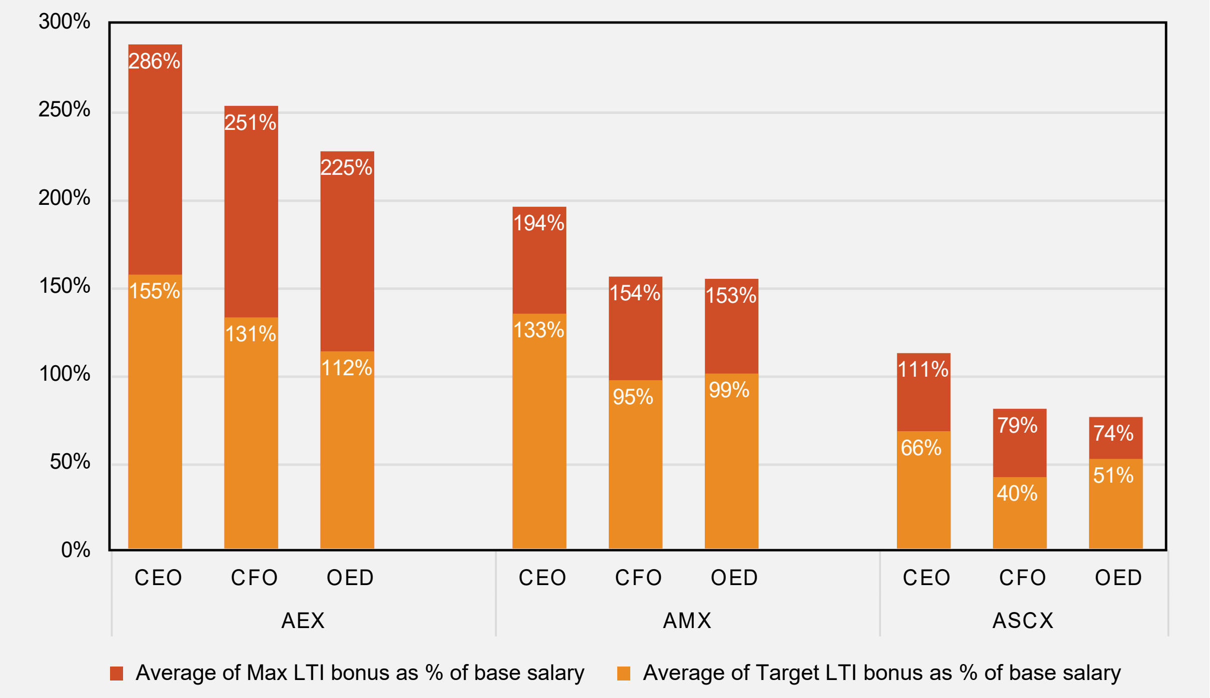
Key findings

- Profit/Earning is consistently the most frequently used measure in 2023, indicating that companies prioritise profitability in their incentive schemes.
- Revenue/Sales and Cash Flow are also commonly used measures, but their average weightings are lower compared to Profit/Earning, suggesting that companies may consider profitability as a more significant factor in their incentive schemes.
- ESG has (one of) the highest frequencies in 2023, indicating that most companies have realised the importance of ESG factors and have integrated them into their operations and incentives. However, ESG measures still have a lower weighting of importance compared to financial performance measures.

Long-term Incentives (LTI)

Figure 6, shown below, demonstrates the average difference between at-target and maximum payout levels for LTI plans across different indices. This difference is commonly referred to as the performance incentive zone.

Figure 6. Average target and maximum LTI levels as % of base pay of AEX, AMX and AScX companies



*The figure includes only companies with LTI plans

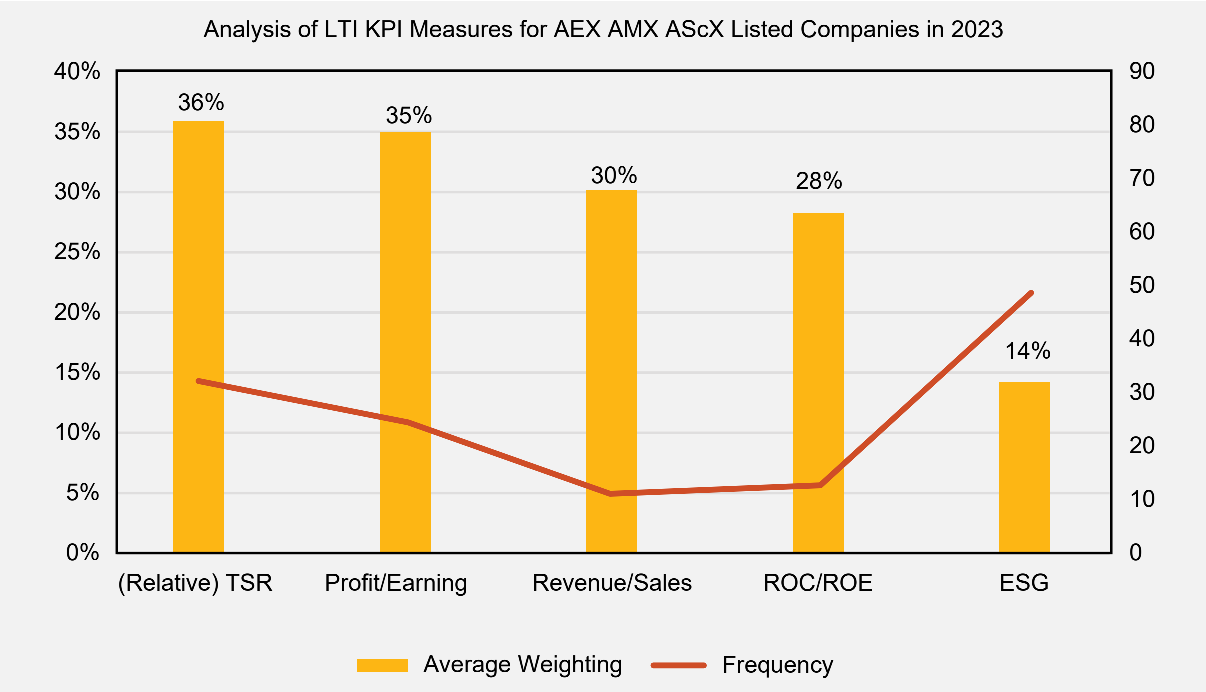
Key findings

- CEOs in the AEX index have the highest average maximum LTI of their base salary, which is significantly higher than their AMX and AScX counterparts.
- There is a clear trend of decreasing LTI as a percentage of base salary when moving from AEX to AMX, and then to AScX, for all executive roles, indicating a size-related scaling of LTI opportunities.

Long-term Incentive KPIs (LTI KPIs)

Figure 7, shown below, presents a comprehensive analysis of the LTI KPIs utilised by companies listed on the AEX, AMX, and AScX for the year 2023. The data showcases the frequency of each measure's usage, and the average weighting assigned to them, reflecting their importance in the incentive schemes of these companies.

Figure 7. Most commonly used KPIs for LTI

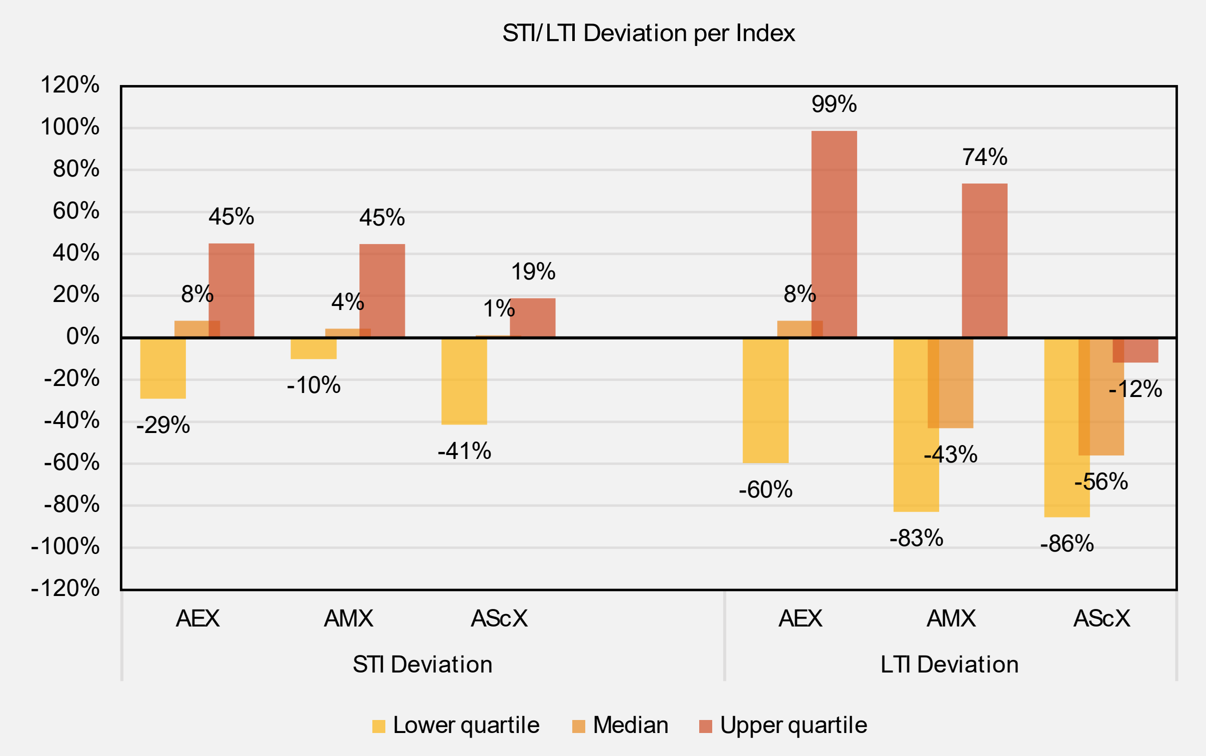


Key findings

- (Relative) Total Shareholder Return (TSR) remains the measure with the highest frequency and average weighting in 2023, indicating its continued importance as a key performance indicator for long-term incentives.
- Profit/Earning is the second most frequent measure after (Relative) TSR, with a substantial average weighting, underscoring its significance in aligning executive incentives with company profitability over the long term.
- ESG stands out with the highest frequency of all measures in both years, reflecting the growing emphasis on sustainable and responsible business practices in long-term strategic planning. However, its average weighting is significantly lower than the financial measures, which could imply a more supplementary role in the overall incentive structure.
- The average weightings of the financial measures (TSR, Profit/Earning, Revenue/Sales, ROC/ROE) remain relatively stable in 2023, indicating a consistent valuation of these metrics in the eyes of companies when determining long-term incentives.

Figure 8, shown below, presents the distribution of STI and LTI deviations from the target for companies listed on the AEX, AMX, and AScX indexes. The deviation from the target is expressed as a percentage, where 0% represents the achievement of the target, positive values indicate performance above the target, and negative values reflect performance below the target. The distribution is segmented into lower quartile, median, and upper quartile to show the spread of deviations.

Figure 8. STI and LTI Deviation from Target Across AEX, AMX, and AScX Indexes



* The figure includes only companies with STI/LTI plans.

Key findings

- Companies listed on the AMX index show a narrower spread in STI deviations than AEX, but with a similar upper quartile at 45%. The median performance is slightly lower than AEX at 4% above the target.
- The AScX index companies have the lowest median STI deviation at 1% above the target, indicating that most companies in this index are close to meeting their STI targets. However, they also have the smallest upper quartile value at 19%, suggesting less frequent high outperformance in STI.
- AEX index companies have a median LTI deviation at 8%, which is the same as their STI median, but they exhibit a much larger range with the upper quartile reaching 99%, indicating some companies achieve far above their LTI targets.
- AMX index companies show a negative median LTI deviation at -43%, which is a contrast to their STI median. This suggests that long-term targets are much harder to achieve for these companies, with a large portion underperforming against their LTI targets.
- AScX index companies have the most challenging LTI performance, with both the median (-56%) and upper quartile (-12%) being negative. This indicates that not only do most companies underperform against their LTI targets, but even the best performers do not surpass their targets.

Share Ownership Guidelines

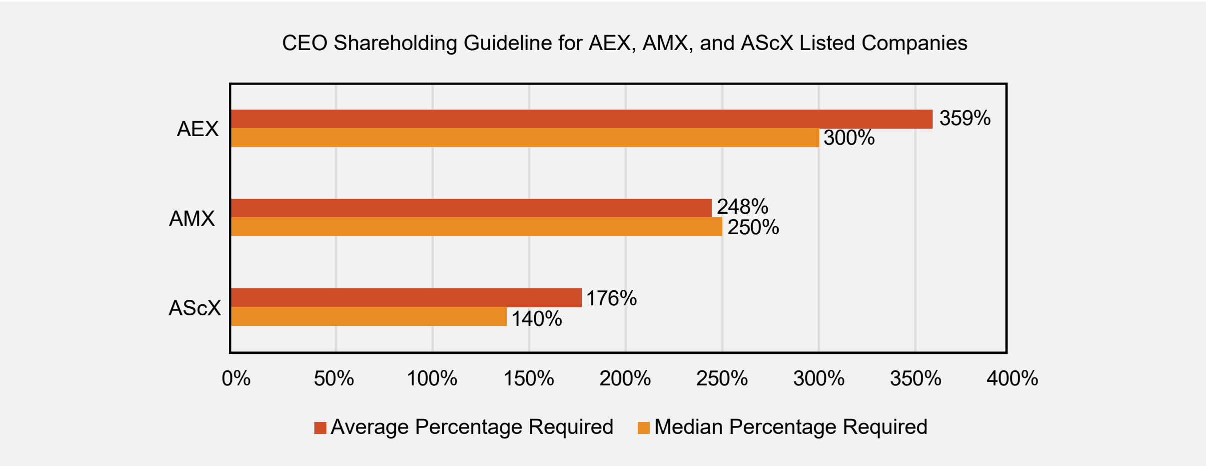
Share ownership guidelines align the interests of executives and shareholders by encouraging executives to hold a stake in the company. This alignment is believed to foster a long-term perspective in decision-making and a focus on sustainable shareholder value creation. By having executives invest in the company, it can mitigate the risk of short-term decision-making that might be detrimental to the long-term health of the company. It ensures that executives have a personal financial interest in the success and stability of the company.

Share ownership guidelines are often a response to market expectations and best practices. Investors and governance bodies increasingly expect companies to have such guidelines in place as a measure of good corporate governance. These guidelines can also serve as a retention and motivation tool for executives. By tying a portion of their wealth to the company's performance, it can motivate executives to perform at their best to increase the company's value. In some cases, regulatory or legislative bodies may require companies to have share ownership guidelines, particularly for certain roles within the company, to ensure accountability and transparency.

Companies with share ownership guidelines may be viewed more favourably by investors and the public, as these guidelines can be seen as a commitment to ethical business practices and financial responsibility. It is important to note that the specifics of share ownership guidelines can vary widely from company to company, depending on factors such as the size of the company, the industry in which it operates, and its corporate culture. The guidelines are typically set by the board of directors and are often included in the company's corporate governance policies.

Figure 9, shown below, provides the average and median percentage of CEO shareholding required for companies listed on the AEX, AMX, and AScX indexes. Out of 25 companies in each index, the AEX has 15 with guidelines, while both the AMX and AScX have 12 companies each following guidelines.

Figure 9. CEO Shareholding Guideline for AEX, AMX, and AScX Listed Companies



Non-executive remuneration levels

The Dutch Corporate Governance Code outlines several guidelines regarding the remuneration of supervisory board/non-executive board members. According to the code, the remuneration should be based on the time and responsibilities associated with their role. Additionally, there is general consensus that the fees paid to non-executive directors should be reasonable and not excessive compared to similar companies in the same sector. Therefore, external benchmarks are relevant not only for executive board members' but also for supervisory board / non-executive directors' compensation.

Furthermore, the best-practice principles of the Dutch Corporate Governance Code state that remuneration for supervisory board members should not include shares or rights to shares. This ensures that their compensation is not tied to ownership interests in the company.

Table 5, shown below, presents a detailed analysis of Non-executive Director (NED) remuneration for companies listed on the AEX, AMX, and AScX indexes. It provides insights into the total amount spent on NED fees, individual fees for the chairperson and members, as well as the year-over-year changes for these fees. Additionally, it includes a comparison of the CEO base salary to the chairperson's fee, expressed as a multiple.

Table 5. Supervisory Board member/NED Remuneration Analysis for AEX, AMX, and AScX Companies

Index	Pay level	Total amount spent on NED fees (EUR'000)	Chairperson fee (EUR '000)	Change chairperson fee 2022 vs 2023	Member fee (EUR '000)	Change member fee 2022 vs 2023	CEO base: Chairperson fee
AEX	lower quartile	655	115	10%	85	3%	6.9x
	median	995	174	13%	110	4%	6.9x
	upper quartile	1,639	246	18%	158	13%	6.4x
AMX	lower quartile	348	89	17%	55	0%	5.9x
	median	567	113	6%	84	5%	6.5x
	upper quartile	713	145	12%	100	10%	6.1x
AScX	lower quartile	211	59	-2%	41	1%	7.0x
	median	275	70	7%	51	7%	8.0x
	upper quartile	389	89	27%	60	6%	7.0x

* Remuneration amounts are rounded to the nearest EUR 1,000

Key findings

- The AEX index companies, on average, spend more on NED fees compared to AMX and AScX companies.
- Chairperson fees have increased across all indexes from 2022 to 2023, with the AEX index experiencing the highest median increase.
- Member fees also saw an increase, although to a lesser extent than chairperson fees.
- The ratio of CEO base salary to chairperson fee remains consistent across different pay levels within each index.

Remuneration Policy 2024: Trends & Developments

Introduction

The introduction of new remuneration policies in 2020 by Dutch listed companies was primarily influenced by the implementation of the Shareholders' Rights Directive (SRD) in 2019. This directive aimed to promote long-term shareholder engagement and increase transparency between companies and investors. The legislation required companies to prepare a new remuneration policy and obtain approval from shareholders if the policy at that time was older than three years or not in line with the directive's requirements. As a result, many listed companies submitted a new policy for a (binding) vote at the General Meeting of Shareholders in 2020. Pursuant to article 2:135a (2) of the Dutch Civil Code, remuneration polices must be (re-) adopted by the General Meeting at least every four years. Accordingly, during the 2024 AGM season, almost 60% of the 75 Dutch listed companies introduced a new or updated remuneration policy for members of the Management and/or Supervisory Boards, mainly with retroactive effect from 1 January 2024.

In highly competitive and rapidly evolving markets, often characterised by a scarcity of relevant key skills, companies are focusing their remuneration structures on attracting, motivating, and retaining top talent to foster sustainable shareholder value. As companies navigate the competitive landscape and adapt to market demands, they are reevaluating their remuneration frameworks and philosophies. This process involves designing remuneration policies that are not only competitive but also fair and appealing within the markets they operate in. In this chapter, we set out the main trends and developments that we have observed from the policies that were adopted in 2024. The primary observation is that the adoption of the remuneration policies received overwhelming support, with the majority of "for" votes received from over 90 percent of the eligible shareholders. The almost unanimous adoption of the remuneration policies can be attributed to three potential factors: (i) a heightened focus on pre-AGM shareholder dialogue, (ii) the absence of contentious changes within the policies that might provoke shareholder opposition, and (iii) the modifications made were in alignment with stakeholder expectations.

Trends in changes in remuneration policy for Management Board

Increase in number of ESG targets or weighting of existing ESG targets

The rising importance of ESG in business reflects the growing recognition that sustainable practices are vital for long-term success. Companies are increasingly held accountable for their impact on the environment, their social contributions, and the transparency and ethics of their governance. This shift is driven by stakeholders, including investors, customers, and employees, who demand higher standards and more responsible business operations. It is, therefore, not surprising that we are observing executives' remuneration morphing to ensure the company is meeting stakeholder demand.

Regulatory changes are reinforcing this trend, with a significant push towards achieving net zero emissions over the next 25 years. For instance, the EU's CSRD, passed in November 2022, mandates that companies disclose how sustainability-related factors influence their operations and their impact on people and the environment, starting in 2025. Similarly, the US introduced the Enhancement and Standardisation of Climate-Related Disclosures for Investors in March 2024, marking the country's first federal climate reporting regulation.

These regulations are part of a global effort to standardise sustainability disclosure standards and create a comprehensive baseline for investors' information needs. The International Sustainability Standards Board (ISSB) and other regulatory bodies are working towards harmonising these standards to ensure transparency and comparability across borders. As a result, businesses must adapt their strategies and operations to align with these evolving requirements, embedding ESG principles into their core activities to ensure compliance and maintain their competitive edge in a rapidly changing corporate landscape. Accordingly, it is no surprise the companies are increasingly including ESG targets in executive pay to align the interests of executives with the long-term goals of the company and its stakeholders. This practice emphasises the company's commitment to sustainability and social responsibility, and it can also respond to investor expectations. By incorporating ESG measures into executive compensation, companies aim to promote behaviours that support their ESG commitments and overall business strategy. These strategies include building a diverse, equitable and inclusive culture among the global workforce, reducing direct greenhouse gas emissions, achieving 'zero-waste' and working towards net-zero goals. Indeed, setting the appropriate ESG targets within a company's KPIs and establishing quantifiable goals can be complex. However, with the CSRD and increased demands for transparency, it is anticipated that the process of defining targets for executive pay will become more manageable as it should be aligned with the company's own strategic goals that have to be disclosed and should be meaningful.

Increase in executive pay levels!

There is a general trend in the increase in executive compensation levels and flexibility to adjust base pay levels going forward. This can be attributed to several factors, including periods where base pay levels were static or unchanged due to economic downturn and due to inflation. Given the scarcity of talent in the market and as companies venture into new markets and industries, competitive pay levels are essential to attract and retain the necessary expertise. In some cases, due to business expansion, revenue growth, entry into new jurisdictions and globalisation, in general, the increase in executive pay levels can be attributed also to the fact that the responsibilities for the Management Board have become larger and more complex.

As companies aim to ensure that the Management Board's target total remuneration levels are competitive with the market median, this leads to noticeable increases in executive pay through either changes in base pay and/or enhanced target opportunities for at-target payout percentages for STI and/or LTI even if these levels are not adjusted. Explanation on actual payout levels and development of internal pay ratio levels remain relevant and have to be carefully considered and disclosed.

Change in remuneration reference group

To better reflect the company's business development, size, and industry, companies are updating their remuneration reference group with whom to benchmark their executive pay. Changes include the adjustments to the size of the group or composition of the group. This change enables them to compare and set executive compensation more effectively in relation to an appropriate remuneration reference group reflecting the company's profile, size, industry and geography.

Changes in performance criteria and/or performance incentive zones

Largely, changes to the performance criteria and/or the performance incentive zones have been made in a response to changes and development in the business and strategic goals of the company. In some cases, performance criteria and targets have been modified to make measurement more objective or easier especially where data from peers is limited or unavailable. Companies are increasingly seeking support and guidance from internal and external stakeholders to select the right performance measures that drive short-term company performance and sustainable long-term value creation.

Greater discretionary powers for the Supervisory Board

Underlying the changes to the remuneration policies for the Management Board, is an increase or further clarification of the discretionary powers of the Supervisory Board or non-executive Directors to deviate from the policy. It is apparent that companies are seeking greater flexibility to deviate from the policy without obtaining approval from the shareholder in specific circumstances or on an incidental basis such as in the event of a merger and acquisition, a change in business activities or delisting of peer companies etc.

In general, subject to recommendations made by the Remuneration Committee, the use of discretion is largely centred on adjustments to:
- the remuneration reference group and market positioning to provide more flexibility in selecting the most appropriate comparative reference groups;
- the award of additional fixed remuneration in case of additional responsibilities for special circumstances; and
- the selection of performance objectives for STI and LTI.

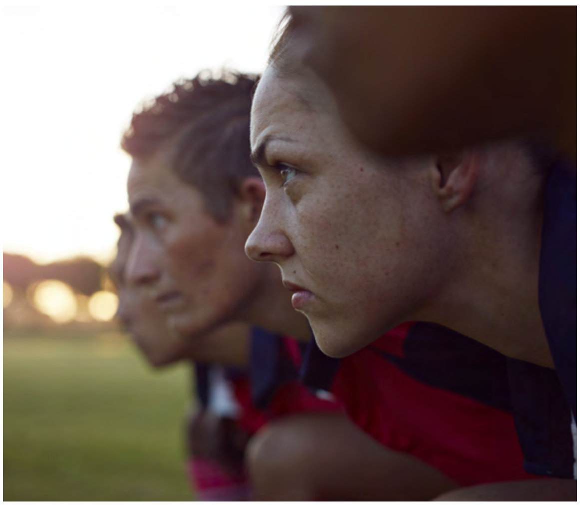
Nevertheless, discretion is only meant to be a temporary solution for a specific situation and not a way to depart completely from the remuneration policy. Any permanent changes would need to be approved by shareholders.

Trends in changes in remuneration policy for Supervisory Board

Like the remuneration policy for the Management Board, policies for the Supervisory Board were also subject to update after 4 years. Whilst companies updated their policies, the changes were not contentious, and the approval rates were again almost unanimous. However, a few trends that can be drawn from the new remuneration policies for the Supervisory Board in 2024.

In general, Supervisory Board fees were increased as a response to market development, price index developments or to a change in the peer group whereby based on the benchmark comparison, this resulted in higher annual fees. It was clear that companies introduced mechanisms in order to cope with price index developments such as reviewing board fees annually or every 2 years considering consumer price index developments.

Other changes that resulted in higher board fees are increases in the travel fees, removal of caps. There is also an increase in the number companies awarding shares (e.g. Restricted Share Units) to members of the Supervisory Board.



Tax update for executives

Tax changes for executives

There are notably two significant changes in the Dutch tax legislation that would particularly impact executives.

Scale-down of the 30%-ruling

Introduction

The 30%-ruling is undergoing significant changes in the Netherlands. As part of the Tax Plan for 2024, the Dutch Senate approved on 19 December 2023 several amendments. These amendments are applicable as from 1 January 2024 and are scaling down the regime as follows:

- Gradual reduction in the percentage of the tax-free allowance; and
- Abolition of the partial foreign tax liability scheme (as from 2025).

The changes are further detailed below. It is important to note that the legislative modifications presented here are likely to undergo further review due to some opposition from government and corporate sectors. Further updates on the rules applicable as from 1 January 2025 are expected to be communicated at the end of 2024. This may include reversal or partial reversal of the rules presented in this section.

Gradual reduction to a 30/20/10%-ruling

The most notable change is the transition from a flat 30% tax-free allowance to a degressive approach. The portion of the salary (as limited by the cap mentioned below) which can be paid as a tax-free allowance is based on the duration of the expats' employment in the Netherlands, as follows:

- 30% for an initial 20-month period;
- 20% for a second 20-month period; and
- 10% for a third and last 20-month period.

The ruling is limited to 60 months (i.e., 5 years).

Transitional rules apply whereby employees who benefitted from the 30%-ruling in 2023 are not affected by the gradual reduction.

Abolition of the partial foreign tax liability scheme

Currently, Dutch resident employees who benefit from the 30%-ruling can opt to be treated as non-resident taxpayers for the purpose of Box 2 (substantial interest in a company) and Box 3 (income from savings and investments) taxation. This effectively means that such individuals benefit from a full exemption on Box 2 and Box 3 income, on foreign income, despite being tax resident in the Netherlands.

The exemption may be abolished as from 1 January 2025 and consequently, employees will be taxed on their worldwide income, including investment income and substantial shareholdings. For those who applied the 30% ruling in 2023, there is a transitional rule applicable whereby the abolishment of the partial foreign tax liability scheme will enter into force as of 1 January 2026.

Salary cap implementation

In addition to the changes announced in December 2023, in 2022, an income cap on the remuneration subject to the application of the 30%-ruling was announced. This cap is applicable effective as from 2024.

The maximum annual salary eligible for the 30%-ruling is limited to EUR 233,000 (2024). This means that any employment income exceeding this cap will not benefit from the tax-free allowance.

The cap is in line with the Standards for Remuneration Act (Wet Normering Topinkomens also known in The Netherlands as the “Balkenende norm”), which regulates the maximum remuneration for senior officials in the public sector.

Nevertheless, transitional rules apply whereby for employees who were already benefitting from the 30%-ruling in 2022, the salary cap will only apply as from 1 January 2026.

New salary norms for 30% ruling

One of the requirements to qualify for the 30% tax ruling is that an employee has a specific expertise. Whether an employee meets this requirement is determined by an annual-based (taxable) salary norm, i.e. excluding 30% allowance. As from 2024, the general (taxable) salary norm is EUR 46,107, i.e. EUR 65,867 including 30% allowance.

Box 3 taxation: ongoing changes and Supreme Court ruling dated 6 June 2024

Introduction

In December 2021, the Dutch Supreme Court found the taxation mechanism of Box 3 to be in violation of the European Convention on Human Rights. This is because, under the Box 3 mechanism applicable as from 2017, benefits from savings and investments were taxed based on a fictitious (flat rate) return, based on average returns and assuming a fictitious investment mix. As a result, no account was taken of the actual composition of the taxpayer’s assets in Box 3, nor of the return that the taxpayer had realised on those assets. This led to situations where the Box 3 taxable basis was higher than the actual return received by the taxpayer.

Temporary system

The 2021 Supreme Court ruling triggered a need to (1) provide a restoration mechanism for tax years 2017-2022 and (2) change the taxation mechanisms under Box 3 going forward, with a temporary system before core amendments could be made to the system. The Box 3 Restoration Act and Box 3 Bridging Act came into effect on 1 January 2023. With the temporary system applicable for tax years up to and including 2026, the legislator did intend to better approximate the actual return than the original system. The composition of the taxpayer’s assets is considered to a certain extent. This is done by dividing the assets into three categories: (i) bank deposits, (ii) other assets including shares and (iii) debts, each category having its own fictitious return. The (provisional) rates for tax year 2024 are as follows:

- Bank deposits: 1.03%
- Debts: 2.47%
- Other assets (including shares): 6.04%

Currently, the weighted average yield percentage over all categories will be applied to the total assets above a personal exemption of EUR 57,000 (2024) to determine the taxable benefit under Box 3 that is subject to tax at a flat rate of 36% (2024).

Recent Supreme Court rulings

On 6 June 2024, the Supreme Court ruled that, under no circumstances, Box 3 taxes may be levied on an amount higher than the actual return. Therefore, if the taxpayer' system of the Restoration Act and Bridging Act leads to a higher lump sum income from Box 3 assets, the taxable income must be matched to the actual income from such assets. It does not matter how big the difference is between the actual return and the fixed return.

What does it mean in practice?

Now that the Supreme Court has ruled that taxation in Box 3 must be based at most on the actual return, it is up to taxpayers to demonstrate that the actual return achieved is lower than the lump sum calculated return. As previously indicated by the State Secretary, the Tax Authorities will offer taxpayers the opportunity to do this using an 'actual return statement' form. The tax authorities will reduce the tax assessment based on actual income. This option is, in any case, offered to taxpayers who have objected and taxpayers whose assessment has been postponed pending the above-mentioned rulings. In principle, the Tax Authorities have retained all income tax assessments of taxpayers with Box 3 investment assets, for the years 2021 to 2023. Whether non-objectors can also make use of this is still unknown.

What to expect in the future?

The State Secretary pointed out that the introduction of the 'actual return statement' form will place an additional burden on the IT systems of the Tax Authorities. According to the State Secretary, this means that the entry into force of the new Box 3 system will be delayed for at least one year: the entry into force date would then move from 2027 to 2028.

The exact future system of Box 3 taxation is still being discussed at the time of writing. In the above rulings, the Supreme Court mentioned how the 'actual return' should be determined. The actual return not only includes benefits derived from assets, such as interest, dividends and rent, but also positive and negative changes in the value of those assets. Unrealised changes in value are also part of the actual return. To align as much as possible with the flat rate system in Box 3, costs are not taken into account, but interest on debts that belong to the assets in Box 3 is taken into account.

Therefore, the future Box 3 system is likely to be an asset accumulation tax, taxing actual returns on savings and investments, including both income from assets and realised and unrealised capital gains. Real estate and shares in family businesses and start-up companies should be subject to a capital gains tax, which taxes the development of value upon realisation, such as upon sale. PwC will provide regular updates on the development of the future Box 3 system.

Both developments have a significant impact on executives particularly when companies are trying to attract talent from outside the Netherlands. It can be argued that the Netherlands is becoming less attractive from a tax perspective given the reduction in the application of the 30% ruling and should the abolition of the partial foreign tax liability, means that executives from abroad will be required to pay tax on Box 3 income which in itself is in flux. Therefore, it is crucial to offer a comprehensive and competitive reward package for executives, as the tax environment in the Netherlands may not be as appealing for attracting talent.

Sustainability and Executive Remuneration

Introduction

Organisations are placing increased emphasis on ESG factors due to increased stakeholder pressure and tightening regulations. Executive and supervisory boards are also intrinsically motivated to embrace ESG topics. As a result, ESG-related performance measures / metrics in executive remuneration are on the rise.

The focus on ESG-related performance measures is driven by various internal and external developments and stakeholders' preferences.

Regulatory framework

The increased application of ESG-related performance conditions in executive remuneration is partly due to the ever-expanding regulatory framework.

The Dutch Civil Code

The starting point is the Dutch implementation of Shareholders Rights Directive II (SRDII) in the Dutch Civil Code pursuant to which Dutch listed companies must have a remuneration policy setting out the financial and non-financial performance measures applicable to the variable remuneration and an explanation of how these performance measures contribute to the business strategy, long-term interests and sustainability of the company. This is often explained as an indirect requirement to have some sort of ESG-related performance measures.

The Dutch Corporate Governance Code

The shift towards sustainability is also driven by the Dutch Corporate Governance Code 2022 (the Code). In the Code, there is a clear focus on sustainable long-term value creation. It is specifically stipulated that the management board should consider the impact that the actions of the company and its affiliated enterprise have on people and the environment. The management board should develop a view on sustainable long-term value creation by the company and its affiliated enterprise and formulate a strategy in line with this. It is stated that when formulating the company's remuneration policy, the objectives of such strategy for the implementation of sustainable long-term value creation must be taken into consideration. Next to this, it is mentioned that the variable remuneration component should be linked to measurable performance criteria determined in advance, which are predominantly long-term in character. In the explanatory notes it is explained that attention will be focused particularly on integrating sustainability objectives, i.e. performance measures, into the remuneration policy and the relevant criteria for the attainment of those objectives. The remuneration report should be transparent as to how the remuneration contributed to the sustainable long-term value creation.

Corporate Sustainability Reporting Directive (CSRD)

There is more new legislation but the most relevant is the CSRD.

Under the CSRD, certain companies operating in the EU are required to disclose information about ESG-related topics. CSRD will ensure that investors and other stakeholders have access to the information they need to assess (investment) risks arising from climate change and other sustainability issues. The first companies must disclose in accordance with CSRD in their reports over financial year 2024. The European Financial Reporting Advisory Group (EFRAG) published the European Sustainability Reporting Standards with reporting standards under CSRD.

CSRD (combined with the European Sustainability Reporting Standards (ESRS)) will create a further stimulus for having ESG-related performance measures. Most importantly as a driver for ESG-related change but also from a disclosure perspective.

One mandatory disclosure requirement we would like to point out based on the disclosure requirement GOV-3 is, that the company should disclose information on the integration of its sustainability-related performance in incentive schemes. The objective of this disclosure requirement is to provide an understanding of whether incentive schemes are offered to members of the management board that are linked to sustainability matters. The following information about the incentive schemes and remuneration policies linked to sustainability matters should be disclosed, where they exist: (i) a description of the key characteristics of the incentive schemes; (ii) whether performance is being assessed against specific sustainability-related targets and/or impacts, and if so, which ones; (c) whether and how sustainability-related performance metrics are considered as performance benchmarks or included in remuneration policies; (d) the proportion of variable remuneration dependent on sustainability-related targets and/or impacts; and (e) the level in the undertaking at which the terms of the incentive schemes are approved and updated. This disclosure requirement in itself will be a push for ESG-related performance measures.

Corporate Sustainability Due Diligence Directive

Even though the CSRD has just been implemented, there is a new Directive, namely, the Corporate Sustainability Due Diligence Directive (CS3D).

CS3D was adopted in May 2024. Companies in scope of the CS3D will have to integrate comprehensive due diligence measures into their operations, encompassing their supply chains and business practices. This involves proactively identifying, preventing, mitigating and ceasing adverse impacts on human rights and the environment. CS3D will apply to both EU and non-EU companies that meet certain thresholds. The obligations of the CS3D will be implemented gradually impacting the largest companies first in 2027.

While it may still seem some way off and although CS3D does not oblige companies to have ESG or climate plan related performance measures, we expect CS3D to be an additional stimulus to have ESG-related performance measures as performance measures which can enforce desired behaviour.

Stakeholders

The regulatory framework resulted in the proliferation of ESG-related performance measures in executive remuneration. For years stakeholders requested attention for ESG-related matters and ESG-related performance measures. This is in addition to the broader context of operating ESG performance measures in executive compensation arrangements and how this is used as an indicator whether companies are meeting their commitments. In this respect, it is also relevant that the legal position of executive and non-executive board members is considered including the possibility of any claims and the reputational impact when not meeting the commitments made.

In this context, it is also relevant to consider the views of shareholder representative bodies: (i) Glass Lewis, (ii) ISS and (iii) Eumedion.

Glass Lewis

In the latest 2024 Benchmark Policy Guidelines for the Netherlands, Glass Lewis supports linking executive pay to environmental and social (E&S) goals tailored to a company's specific context. They indicate that when E&S criteria are added to incentives, clear communication with shareholders is key and that while long-term E&S targets are important, flexibility in how they are integrated into pay structures is also crucial.

Specifically for Dutch based companies, Glass Lewis advises companies to align with the Dutch Corporate Governance Code, including transparent reporting on executive pay alignment with long-term value creation, pay disparity, variable pay basis, correlation between compensation and performance, and justification for severance payouts.

ISS

ISS is not as outspoken as Glass Lewis. In their Continental Europe – Proxy Voting Guidelines, Benchmark Policy Recommendations for the year 2024, ISS indicates in respect of the remuneration report only that in case of performance-based pay, there must be a clear link between the company's performance and variable incentives. In addition financial and nonfinancial conditions, including ESG criteria, are relevant as long as they reward an effective performance in line with the purpose, strategy, and objectives adopted by the company.

Eumedion

In Eumedion's principles on sound remuneration policies last updated in 2022, it is stated that variable remuneration elements should in their view be largely based on ESG-related performance measures that are material to the relevant company. All performance measures should be concrete, relevant, clearly quantifiable, time-related and challenging and should have a direct relationship with the strategy and operational risks. Furthermore, the objectives should be measurable and transparent.

Whilst many other stakeholders are in favour of incorporating ESG-related measures into variable remuneration, there are also different views, especially from the US.

A critical view of ESG performance measures

There seems to be less appetite with US shareholders for ESG-related performance measures. This may partly be due to certain political parties advocating for a corporate focus on maximizing shareholder return, challenging the broader ESG agenda. In the Netherlands, similar political sentiments are surfacing. However, it is important to note that the European stakeholder context is different from the US context, with a strong regulatory framework supporting an ESG-related performance approach.

Workers less concerned?

In 2024, PwC published an extensive survey gathering insights from over 5,000 employees in 95 countries on workforce ESG preferences to better understand the level of importance and the value attributed by employees of their employer's ESG strategies and policies. The study allows companies to help identify whether (and which) ESG strategies and policies are most important and valued by employees. If you want to read more, the whole research is linked on page 44.

Please see below the top 5 and bottom 5 preferences of workers following from our survey.

Top 5	Bottom 5
Fair and equitable pay (fixed and variable)	Company charitable support
10% salary increase	ESG targets in incentive plans
Fair and equitable benefits	Ensuring third ESG checks e.g. certification
Career opportunities (upskilling and development)	2% salary increase
Wellbeing leave and allowances	No increase

Having ESG-related performance targets in incentive plans is in the bottom 5 preferences. This may ultimately also affect the appetite for having ESG-related performance measures in executive pay.

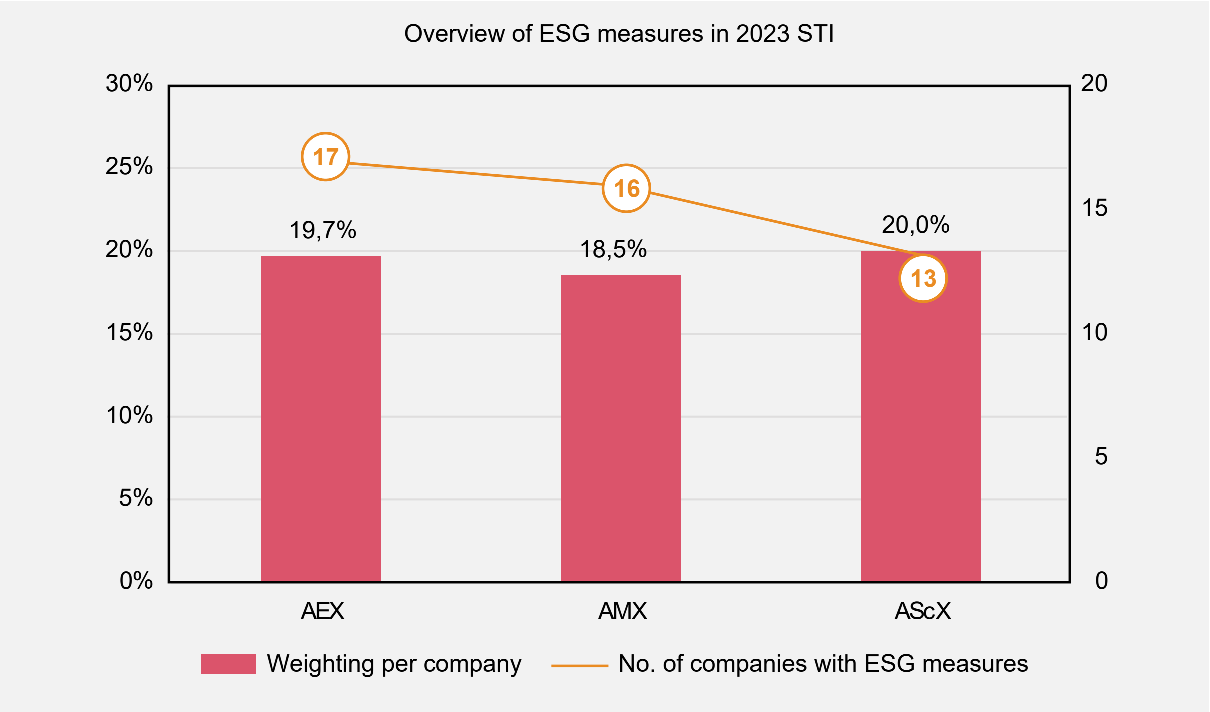
Data insights

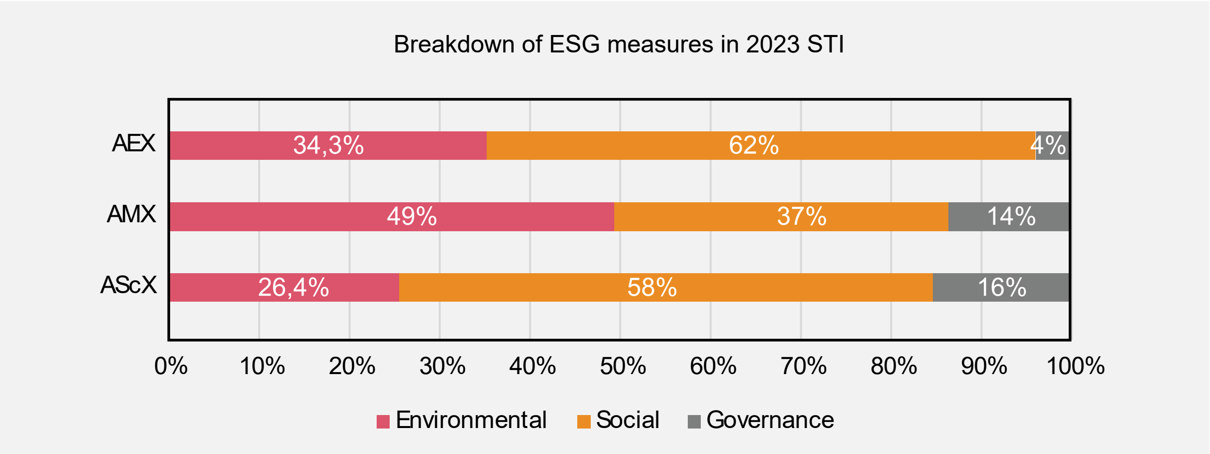
As part of our broader survey, we have conducted an analysis on the use of ESG-related performance measures for variable remuneration over the year 2023 as derived from the annual reports. Please find below our main findings on the use of ESG-related performance conditions in either short-term incentives or long-term incentives of AEX, AMX and AScX companies.

2023 Performance conditions in short-term incentives (STI)

Figure 10, shown below, shows the average weighting of ESG-related performance measures in the STI of the AEX, AMX and AscX companies which is respectively 19.7%, 18.5% and 20%. About two third of the companies' part of the AEX, AMX and AscX index use ESG-related performance measures. From the next graph it can be derived that it is evident that both 'Social' and 'Environmental' are the most used categories.

Figure 10. Breakdown of ESG-related performance measures in STI's for AEX, AMX, and AScX listed companies

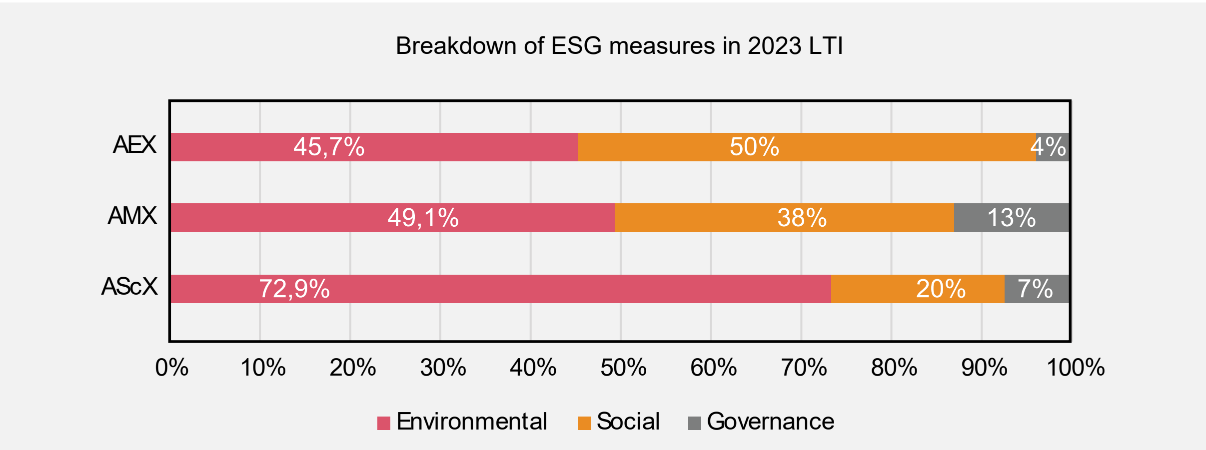




2023 Performance conditions in long-term incentives

Figure 11, shown below, shows the average weighting of ESG-related performance measures in the long-term incentives of the AEX, AMX and AscX companies which is respectively 25%, 21,8% and 29%. However, as we see in the figure below the number of companies using an ESG metric in their LTI plan is relatively low compared to the STI. The next graph shows the ESG-category to which the performance measures are linked. From that graph it can be derived that overall 'Environmental' related performance measures are most used for the long-term incentives.

Figure 11. Breakdown of ESG-related performance measures in LTI's for AEX, AMX, and AScX listed companies



Remuneration Policy Changes 2024

As specified before, we still see a shift towards more focus on ESG-related performance measures among listed companies who changed their remuneration policies in 2024. Many companies increased the weighting of their ESG- related performance measures and/or the number of ESG-related performance measures. So, currently, it seems that the inclusion of ESG-related performance measures in incentives remains a priority for Dutch listed companies.

Seven considerations

Based on the discussed legislation, stakeholder views, data and general trends we recommend considering the following seven factors when selecting and establishing ESG performance indicators.

Engaging Stakeholders

At first, it is crucial to secure internal stakeholder alignment; this goes beyond the management- and supervisory board and includes specific roles such as the sustainability officer and, where relevant, a health and safety officer. These two officers are potentially important stakeholders, since they are involved with topics that touch commonly used performance indicators. Equally critical is the external alignment with shareholders, investors, and investment circles to create external support on your organisation's remuneration policy.

Material & Relevant

ESG performance indicators should be relevant to the company to create an impact. Before designing and implementing the performance indicators it is necessary to align this with the company's overall strategy and its sustainability strategy.

An ESG performance indicator that suits all organisations, and their unique circumstances does not likely exist. Therefore, performing a double materiality assessment under CSRD can clarify the impact of ESG matters on their business and the environment. Additionally, conducting a gap analysis to understand the differences between their policies, strategies, and actual practices is crucial. With this comprehensive understanding, an organisation can more easily select the appropriate ESG performance indicator.

Measurable

As with financial metrics, ESG performance indicators should be data-driven with clear, measurable targets. A clear instance of where this is to be observed when organisations set a performance indicator to lower CO2 emissions. With the EU Green Deal pushing for climate neutrality by 2050, there is an increase in commitments to lower CO2 emissions. For instance, some companies may only be able to set quantifiable KPIs on Scope 1 emission reductions, which covers direct emissions from company-owned resources like vehicles and buildings, while other companies may already be able to set quantifiable yet neglecting KPIs on Scope 3 emission reductions, which pertain to indirect emissions linked to their value chain, encompassing both upstream and downstream activities.

Amount & Weighting

Concerning ESG weightings, the average for STIs stands at nearly 20% and for LTIs close to, about 25%. To align with market averages, we generally recommend adopting these standards. Please note, that organisations are not aligned yet on how to design their ESG performance indicator(s). The market showcases various KPI sets. For instance, a singular 20% "ESG" performance indicator might be divided into five separate smaller ESG targets, diluting the overall impact per individual target. To create significant impact and align the ESG performance indicator(s) with the organisation's (sustainability) strategy, our advice would be to create few ESG performance indicators with a substantial weighting to maximise the effect of the ESG performance indicator within the organisation.

Common practice

Our research shows that Safety, Employee Engagement, and a comprehensive Sustainability indicator covering various subtopics are frequently used ESG performance indicators. We also noticed a wide range of ESG performance indicators that were tailored specific to the organisation, emphasising the importance of tailored performance indicators. The sustainability performance indicators are usually focused on the previously mentioned Environmental and Social categories.

Disclosure

Incorporating ESG performance indicators into the remuneration policy is crucial, but almost as important is that there is enough flexibility to shape the performance indicators to the company's needs in the evolving sustainability landscape.

As there is a push from legal regulations and proxy voting advisors for increased transparency, PwC has observed a shift towards more ex-post disclosure on metrics, targets, and scores. In this period of transition where organisations are still adapting, it is crucial not to lag in the market. Organisations could improve their reporting practices within the remuneration report by being transparent by disclosing measures and targets used and scores. Nevertheless, sensitive information continues to be withheld.

Modifier & underpin

Modifiers and underpins have traditionally been applied to financial metrics, presuming that STI and/or LTI should not be awarded without solid financial results. As ESG criteria become more important, it is essential for businesses to adapt their modifiers and underpin policies to their sustainability strategy and ESG performance indicators. The implementation of ESG performance metrics brings up the ethical dilemma of whether it is right to give bonuses to a management board for meeting traditional financial objectives without considering their ESG goals and targets. At PwC, we strongly advocate for integrating modifiers and underpins tailored to the ESG performance indicators to ensure accountability when sustainability goals are not met.

Key findings

The integration of ESG-related performance measures into executive compensation structures is being significantly driven by the expansion of regulatory frameworks. The CSRD, in particular, will exert an impact through its mandatory disclosure requirements related to ESG-related performance measures. The ever-increasing role of sustainability-related performance in incentive schemes is supported by a wide range of stakeholders. Different parties voiced the importance of linking the performance measures to their sustainability strategy. There are stakeholders with different views: US investors may for example be less keen on having ESG-related performance measures.

Overall, our data analysis still indicates a persistent and growing incorporation of ESG-related performance measures into incentive schemes for the current year. According to our data, the average weight assigned to ESG in remuneration policies is approximately 20%, with most companies incorporating some form of ESG metric into their variable remuneration frameworks.

Disclosure practices

Introduction

With legal requirements, reporting guidelines and stakeholder preferences pushing for more transparency, we notice a clear shift towards more ex-post disclosure of performance measures, targets and actual achievements in the remuneration reports.

There is a growing trend towards greater transparency in performance measure disclosure, propelled by new regulatory requirements and stakeholder demands. The next step in this transparency journey is the ex-ante disclosure of performance measures and targets.

In this chapter, we will highlight the biggest legal drivers for the enhanced disclosure practice, the views of some of the relevant stakeholders and shed a light on the disclosure practices derived from the data we have collected as part of our Executive remuneration survey 2024.

Legislation

The existing legal framework provides some guidance on what must be disclosed in terms of performance measures and what is considered best practice. In the following section, we will highlight some material obligations.

The Dutch Civil Code

Article 2:135a of the Dutch Civil Code (DCC) stipulates that the remuneration policy of a listed company in the Netherlands must, describe the financial and non-financial performance measures that apply to the variable remuneration with an explanation on how such performance measures contribute to the listed company's strategy, long-term interests and sustainability.

Article 2:135b DCC stipulates that a Dutch listed company must describe in the remuneration report how the financial and non-financial performance measures have been applied. Next to that there is a disclosure obligation to describe the annual change in remuneration over at least five financial years, the development of the company's performance and the average remuneration, based on a full working week, of the company's employees who are not board members during this period.

It is stipulated that personal data of board members is only included in the remuneration report with the intention to enhance transparency and accountability to the general meeting of shareholders.

Two important sets of guidelines shed further light on what is considered good disclosure practice.

Dutch Corporate Governance Code 2022

The Dutch Corporate Governance Code (the Code) contains principles and best practice provisions on, amongst others, remuneration and disclosures for listed companies. The principles may be regarded as reflecting widely held general views on good corporate governance.

The Code applies the "comply or explain" principle, which means that companies should disclose the extent to which they comply with the principles and best practice provisions of the Code and, where they do not comply, explain why and to what extent they depart from them. The Code contains guidance in respect of the remuneration policy and the remuneration report.

The Code states (3.1.2) that when formulating the remuneration policy, the following aspects must, amongst others, be taken into consideration: (i) the objectives of the strategy for the implementation of sustainable long-term value creation and (ii) that the variable remuneration component should be linked to measurable performance criteria determined in advance, which are predominantly long-term in character.

In the explanatory notes it is further explained that - regarding objectives for the strategy for implementing sustainable long-term value creation – attention will be focused particularly on integrating sustainability objectives into the remuneration policy and the relevant criteria for the attainment of those objectives. For those interested in these ESG-related matters, we refer to our chapter on *"Sustainability in Executive Remuneration"*.

The Code also states (3.4.1) that the remuneration report should in any event describe, in a transparent manner, in addition to the matters required by law, amongst others, (i) how implementation of the remuneration policy contributes to sustainable long-term value creation and (ii) the variable remuneration contributed to sustainable long-term value creation, the measurable performance measures determined in advance on which the variable remuneration depends, and the relationship between the remuneration and performance.

European Commission guidelines on standardised reporting

The aim of the (draft) non-binding European Commission guidelines on standardised reporting is to help listed companies to disclose clear, understandable, comprehensive, consistent and comparable information on individual directors' remuneration.[1]

It is stipulated that listed companies should aim to provide sufficient insight to allow readers of the remuneration report to understand the link between the remuneration awarded or due and the performance achieved. Relevant to note is that the SRDII, implemented in the Netherlands through Article 2:135a and b in the Dutch Civil Code (DCC), specifies that transparency requirements are not intended to require companies to disclose to the public certain specific pieces of information the disclosure of which would be seriously prejudicial to their business position.

In the guidelines, it is emphasised that any variable remuneration should be based on predetermined performance criteria. The guidelines explain that companies should present for each director a description of the financial and sustainability performance criteria (such as, where appropriate, environmental, social, human rights criteria) as included in the applicable remuneration policy for the different elements and types of remuneration, the performance achieved over the reported financial year and the outcome of the remuneration resulting from each criterion.

Where it aligns with the remuneration policy, companies should, unless revealing this information would significantly harm the company's competitive position, elucidate how remuneration is determined and the proportionate influence of each performance measure on the overall variable compensation. Furthermore, companies should retrospectively disclose the pre-established performance goals or objectives, along with the minimum and maximum remuneration that can be earned under each criterion. This transparency is considered crucial in illustrating the connection between director pay and the company's performance.

Clearly, based on these guidelines, the disclosure expectations are high.

Corporate Sustainability Reporting Directive (CSRD)

We already introduced the CSRD in our ESG chapter "Sustainability in Executive Remuneration". CSRD and the related ESRS contain remuneration related disclosure requirements.

1 Current status of these draft guidelines is unknown. To our understanding the guidelines are still in a draft version. Many listed companies however apply these guidelines. Many stakeholders will prefer disclosures based on these guidelines.

ESRS 2 contains some general requirements as to disclosures of sustainability matters. According to disclosure requirement GOV-3, companies in scope of CSRD, must disclose information about the integration of its sustainability-related performance in incentive schemes. The objective of this requirement is to provide an understanding of whether incentive schemes are offered that are linked to sustainability matters. More specifically, companies must, amongst others, disclose whether performance is being assessed against specific sustainability-related targets, and if so, which ones, whether and how sustainability-related performance metrics are considered as performance benchmarks or included in remuneration policies and the proportion of variable remuneration dependent on sustainability-related targets and/or impacts.[2]

Clearly, based on the legal framework and guidelines, there is a clear instruction to, at least, ex-post disclose performance measures, targets and achievements.

Stakeholders

In addition to the legal framework the views of stakeholders are relevant. The views of three important shareholder representative bodies: (i) Glass Lewis, (ii) ISS and (iii) Eumedion can be summarised as follows:

Glass Lewis

In the latest 2024 Benchmark Policy Guidelines for the Netherlands, Glass Lewis indicates that there should be clear disclosure of the performance criteria for any variable remuneration awarded, i.e. the link between pay and performance.

Glass Lewis takes this matter seriously and points out the minimum disclosure requirements under SRDII. Next to that, Glass Lewis indicates several bad practices that may cause them to recommend against the remuneration report (a selection):

- Incentive plan targets set at performance levels well below actual past performance or strategic targets provided in guidance to shareholders, absent compelling rationale;
- Lack of disclosure regarding performance metrics and targets;
- Insufficiently challenging performance targets providing for unreasonably high potential payouts; and
- Performance conditions do not adequately measure a company's performance or align with strategy over the long term.

As can be derived from the above, insufficient disclosure on performance measures and targets is a no-go. More specifically in respect of STI, Glass Lewis indicates that where possible, companies should disclose the specific targets utilised as well as actual performance against the targets. Glass Lewis recognises that boards may be reluctant to disclose certain target data on the basis that it is commercially sensitive; however, they believe companies should justify such non-disclosure, and commit to providing this information retrospectively. Moreover, they believe it to be reasonable for companies to disclose the relative level of achievement with respect to target for each metric even if the targets themselves are not disclosed. We expect Glass Lewis to have a similar view in respect of LTI.

ISS

ISS also considers sufficient disclosure of the performance measures in the remuneration policy as a fundamental starting point.

Ex-post, they advise that the company must disclose alignment between performance and payout to executives, variable incentive targets and corresponding levels of achievement and performance awards made.

2 It is further specified that the company shall disclose whether and how climate-related considerations are factored into the remuneration, including if their performance has been assessed against the GHG emission reduction targets and the percentage of the remuneration recognised in the current period that is linked to climate related considerations, with an explanation of what the climate considerations are.

Eumedion
Since 2019, Eumedion has emphasised the importance of transparency in the remuneration policies of Dutch listed companies. They advocate for clear pre-determined performance measures and detailed reporting on performance as well as the relative proportions between the performance targets. These principles have not changed in their 2023 update.

Overall, the market is moving towards greater ex-post and ex-ante disclosure of the measures, though sensitive information is oftentimes still withheld.

Data insights

During our analysis we came across different kinds of disclosing methods as to performance measures, targets and achievements.

Ex-post Disclosures over 2023
An examination of our data reveals that most companies have presented their performance measures ex-post in 2023. It is also common for these companies to provide information on their targets and, results for each target. Reflecting on the findings in our earlier reports, the practice of disclosing performance criteria, targets and achievements was less common.

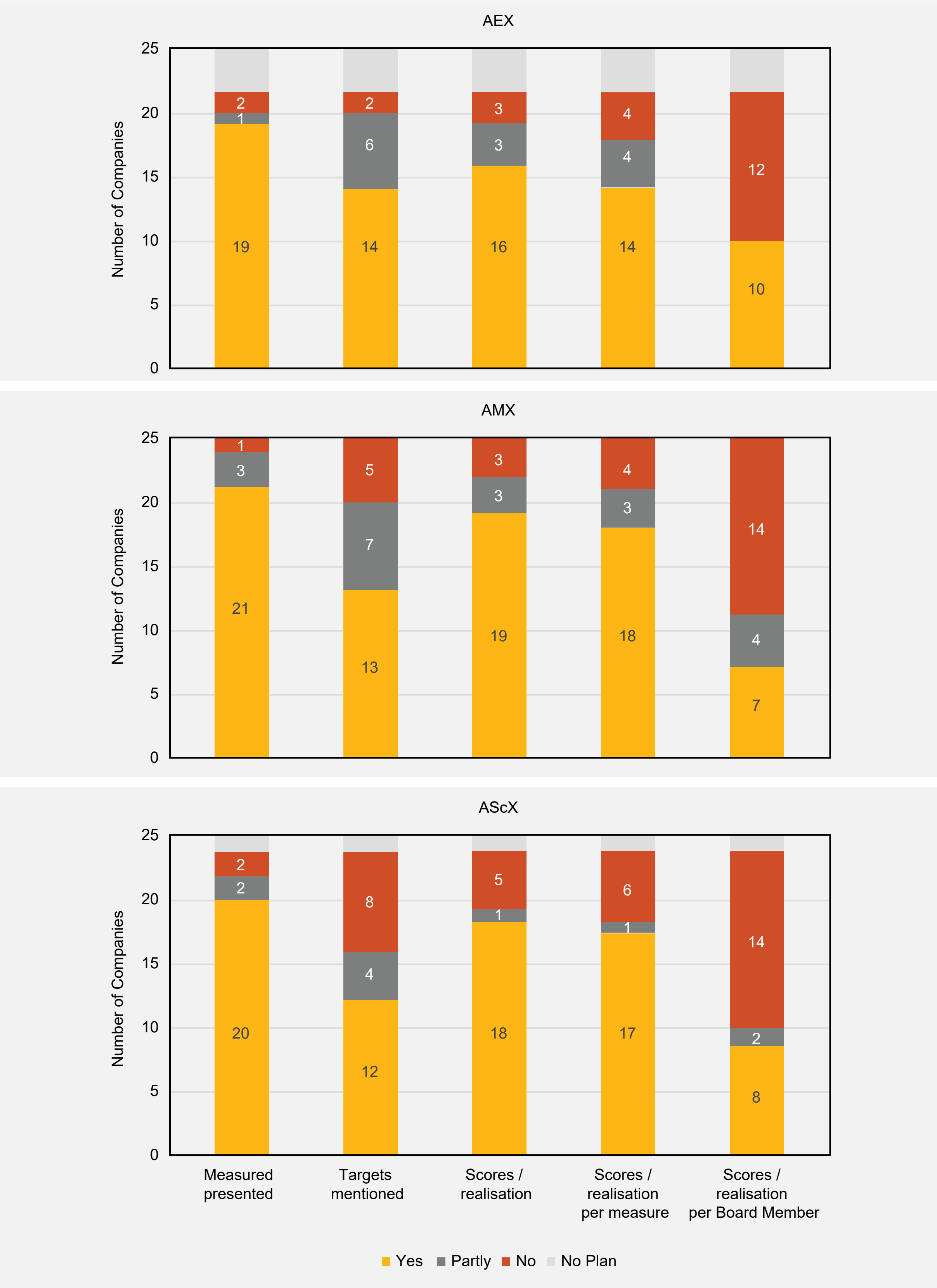
When we look at the tables below, each index consists of 25 companies, and the table categorises the findings for these companies. “Yes” means that the measures, targets and/or results are disclosed, “No” means that the measures, targets and/or results are not disclosed, “Partly” means that this partially presented and “No plan”, means that the companies did not disclose anything because they have no STI or LTI plan. Please note that “Partly” refers to a very broad range of practices. It could be that companies disclosed only on STI or LTI, only on financial or non-financial performance measures, etc.

The aspect that is quite often not disclosed by companies are the performance scores on performance measures for each individual board member. We think this is the case because this information could be seen as more sensitive.

When we compare the AEX, AMX and AScX practices, we do not see a big difference between what companies do and do not disclose.

Overall, these findings are consistent with our general finding that companies are increasingly adopting a transparent approach regarding both financial and non-financial key performance indicators. While this is a good development, we expect further transparency going forward, certainly due to the increased use of ESG-related performance measures, the performance archieved and the resulting outcome.

Figure 12. Analysis of AEX, AMX, and AScX Companies' Disclosure on 2023 Measures, Targets and Scores



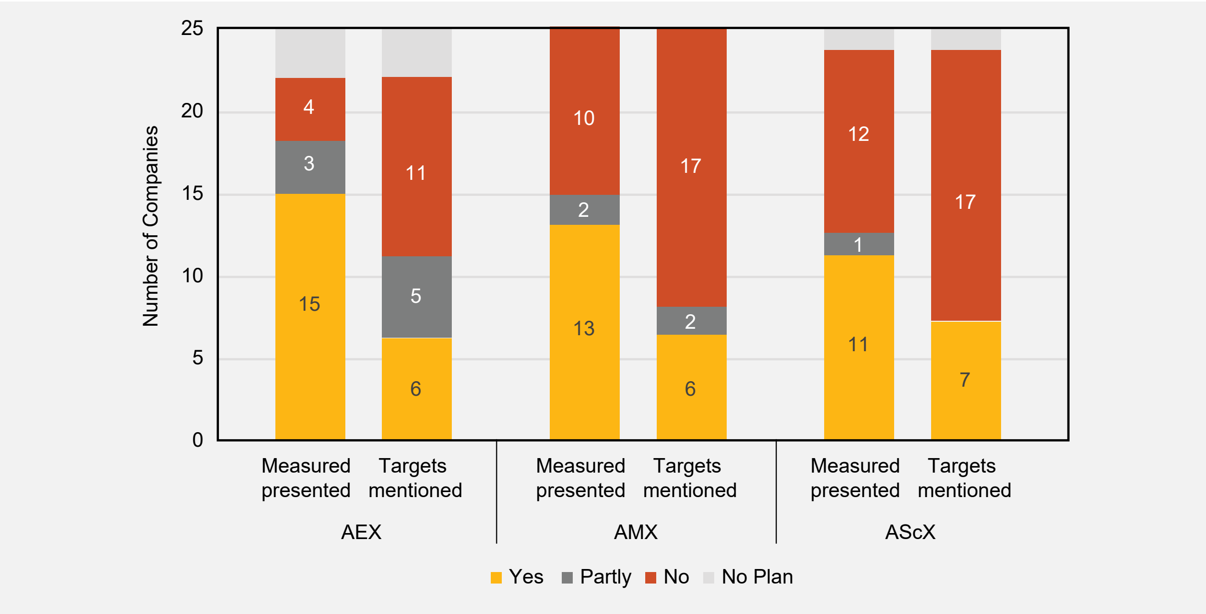
Ex-ante Disclosures over 2024

The tables below summarise whether performance measures and targets are disclosed ex-ante, i.e. for the pending financial year/upfront, by the AEX, AMX, and AScX companies.

When we look at the tables below, each index consists of 25 companies, and the table categorises the findings for these companies. “Yes” means that the performance measures and/or targets are disclosure, “No” means that the measures and/or targets are not disclosure, “Partly” means that the aforementioned is partially presented and “No plan”, means that the companies did not disclose anything because they have no STI or LTI plan. Please also note that “Partly” refers to a very broad range of practices.

The 2024 table shows the limited number of companies that disclosed ex-ante data. While revealing ex-ante measures and targets is becoming more common, it is not as prevalent as ex-post measure and target disclosure. Only about one third of the companies in total have disclosed at least some performance measures and targets ex-ante. As we can see, it is most common that the largest AEX companies disclose their performance measures and targets ex-ante, and it gradually becomes less for AMX companies and for AScX companies.

Figure 13. Overview of 2024 Ex-ante Measures and Targets in AEX, AMX, and AScX



Difference between STI and LTI disclosures

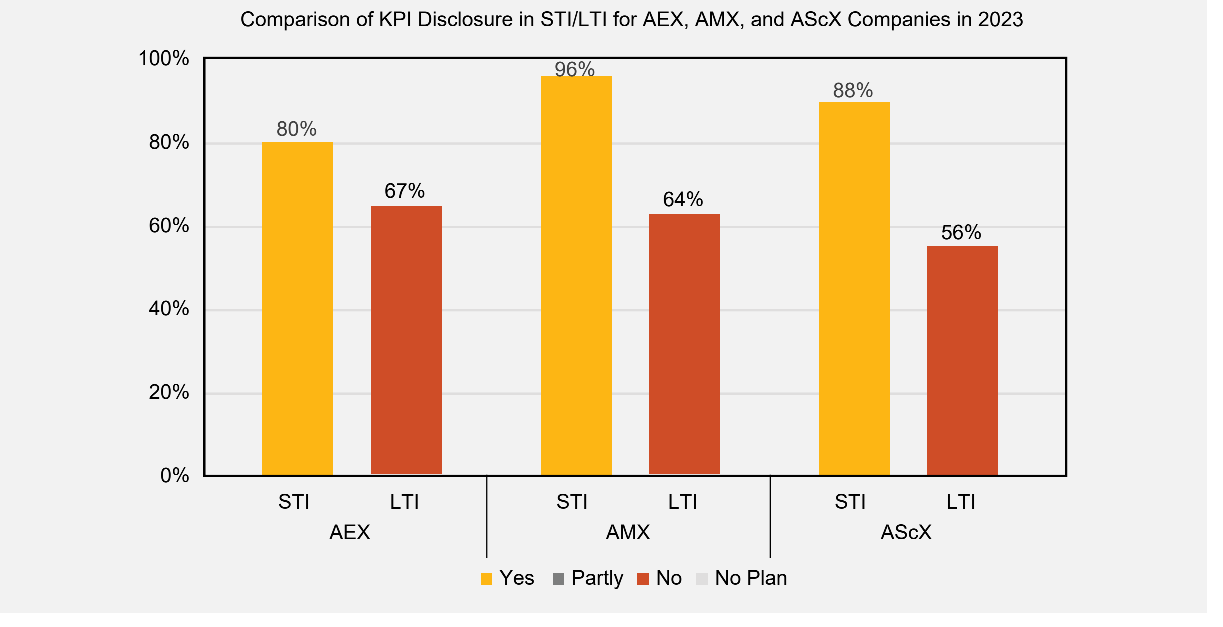
Figure 14 on the next page shows the percentage of AEX, AMX and AScX companies that disclosed the performance measures ex-post split into disclosures for: STI and LTI over 2023. It includes the companies without an STI an LTI. Please note that the below figure includes the “Partly” disclosure as referred to above. As we can see disclosures in respect of the STI is more common than disclosures in respect of the LTI. A reason could be that disclosing STI performance measures ex-post is seen as less sensitive.

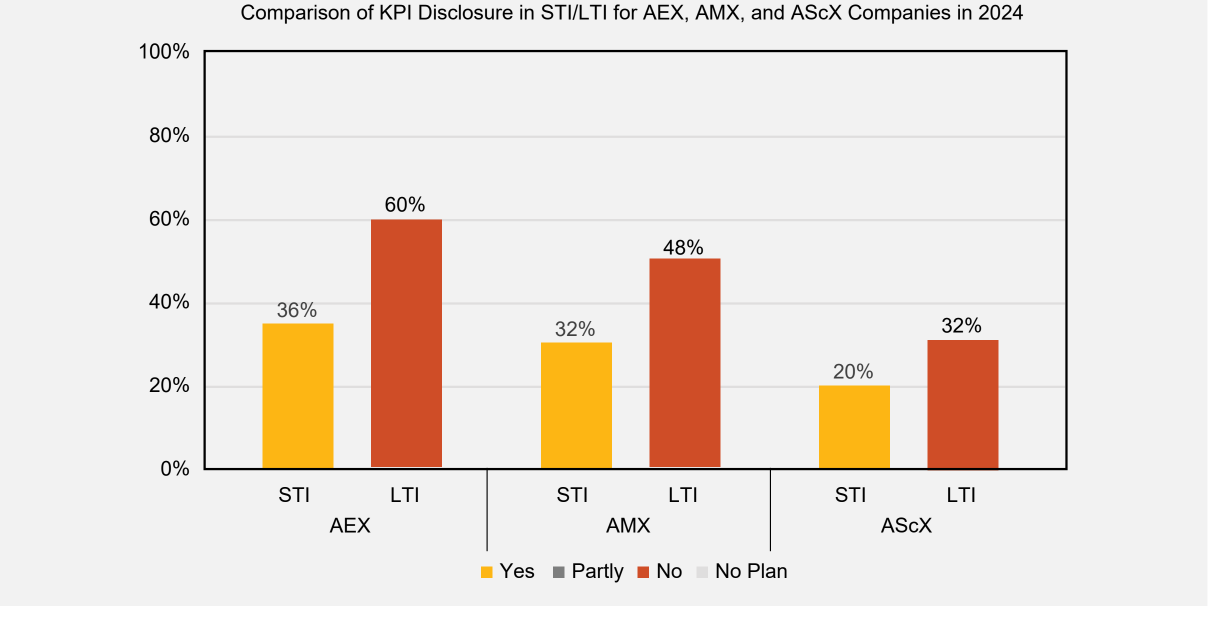
The second part of figure 14 shows the percentage of AEX, AMX and AScX companies that disclosed performance measures ex-ante split into disclosures for: STI and LTI over 2024. Again, it also includes the companies without an STI an LTI. Please note that figure 14 includes the "Partly" disclosure.

As we can see, performance measure disclosures in respect of the LTI performance are more popular than for the STI.

An explanation is that companies keep (partly) their current LTI performance measures for multiple years and therefore, can already disclose them in their current annual reports. Performance measures for the STI, in general, change more often which may be a reason for companies disclosing those performance measures at a later stage only.

Figure 14. Comparison of KPI Disclosure in STI/LTI for AEX, AMX, and AScX Companies





Key findings

There is a clear shift towards greater transparency in respect of performance measures. Ex-post disclosure of performance measures and targets is becoming more and more the norm. This also applies for the disclosure of achievements and results. We do see, however, that sensitive individual information – like individual performance results – are in general not disclosed. Also, ex-ante disclosure of performance measures and targets is increasing.

When disclosing performance measures, targets and achievements ex-post, it is relevant to keep the following elements in mind:

1. **Legal Compliance** - Ensure compliance with the Dutch Civil Code and other relevant legislation and guidelines.
2. **Stakeholder views** - Consider the expectations of your key stakeholders.
3. **Best practice** - Aim to disclose performance measures, targets, performance, weighting, and outcomes (including their measurement), including the level of each individual board member ex-post and disclose KPI's and targets ex-ante to be considered best-in-class but have an eye for possible sensitive information you may not want to disclose.
4. **Ex-ante** – We expect more pressure to ex-ante disclose performance measures and targets. This may become more standard practice over the years. Good to be prepared.

Appendix

Companies included in this survey

The companies included in this publication are based on the Euronext listing of AEX, AMX and AScX companies as of December 2023, which comprises of 75 companies. The analyses presented are based on information as disclosed in Annual Reports and Remuneration Reports over 2023. Companies with insufficient remuneration disclosures for a specific topic were excluded from the analysis for this topic. All data included in this presentation is publicly available and represents the full 12-month financial period.

List of companies

Aalberts N.V.
ABN AMRO Group N.V.
Accsys Technologies P.L.C.
Acomo N.V.
Adyen N.V.
Aegon N.V.
Air France-KLM S.A.
AkzoNobel N.V.
Alfen N.V.
Allfunds Group P.L.C.
AMG Critical Materials N.V.
Aperam S.A.
Arcadis N.V.
Arcelormittal S.A.
ASM International N.V.
ASML Holding N.V.
ASR Nederland N.V.
Avantium N.V.
Azerion Group N.V.
B&S Group S.A.
Basic Fit N.V.
BE Semiconductor Industries N.V.
Brunel International N.V.
CM.com N.V.
Corbion N.V.
CTP N.V.
DSM Firmenich AG
Ebusco Holding N.V.
Eurocommercial Properties N.V.
Exor N.V.
Fagron N.V.
Fastned B.V.
Flow Traders Ltd
ForFarmers N.V.
Fugro N.V.
Galapagos N.V.
Heijmans Kon
Heineken N.V.
IMCD N.V.
ING Groep N.V.
Inpost S.A.
JDE Peets N.V.
Just Eat Takeway.com N.V.
Kendrion'N.V.
Koninklijke Ahold Delhaize N.V.
Koninklijke BAM Groep N.V.
Koninklijke Philips N.V.
Koninklijke KPN N.V.
Koninklijke Vopak N.V.
Lucas Bols N.V.
Nedap N.V.
NN Group N.V.
NSI N.V.
Oci N.V.
Pharming Group N.V.
PostNL N.V.
Prosus N.V.
Randstad N.V.
Relx Group
Renewi P.L.C.
SBM Offshore N.V.
Shell P.L.C.
Sif Holding N.V.
Signify N.V.
Sligro Food Group N.V.
TKH Group N.V.
TomTom N.V.
Universal Music Group A.S.
Unilever P.L.C.
Van Lanschot Kempen N.V.
VastNed Retail N.V.
Vivoryon Therapeutics N.V.
Warehouses de Pauw N.V.
Wereldhave N.V.
Wolters Kluwer N.V.

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Reward website: https://www.pwc.nl/en/services/workforce/reward.html

Future of Work website: https://www.pwc.nl/en/topics/the-future-of-work.html

27th CEO Survey: https://www.pwc.com/gx/en/issues/c-suite-insights/ceo-survey.html

AI Jobs Barometer 2024: https://www.pwc.com/gx/en/issues/artificial-intelligence/ai-jobs-barometer.html

Hopes & Fears Survey 2024: https://www.pwc.com/gx/en/issues/workforce/hopes-and-fears.html

Putting skills first report: https://www.pwc.com/gx/en/issues/upskilling/putting-skills-first-report.html

ESG workers preference study 2024: https://www.pwc.com/gx/en/issues/workforce/pwcs-global-workforce-sustainability-study.html

Services

PwC Executive Reward: Making executive remuneration work for you

The world of work is evolving – fast. The pressure to optimise costs, maximise productivity, find and retain the right talent with the right skills, and adapt to the increasing complexity of geopolitics, GenAI, emerging technology, risk and regulations, nuanced by industry, has never been more challenging.

The motivation and retention of executives to implement corporate strategy is vital to an organisation's success. With our team of specialists, we aim to help companies build a credible remuneration policy to achieve this objective. We have considerable experience in balancing an appropriate remuneration policy for the company with shareholder considerations and the intricate governance considerations in this area.

Contact our multidisciplinary team of Reward specialists, that are part of the wider Workforce practice, for support with everything from incentive design & target setting, implementation & administration support, executive reward in deals support, remuneration accounting advisory services, understanding the company strategy, designing and modelling potential remuneration policies and incentive plans to drive a positive outcome for all stakeholders.

PwC Workforce: Creating a future-ready workforce

Technological disruption, the acceleration of AI, and other global megatrends continue to push CEOs to change and transform their organisations.

Making sure your workforce is ready, is essential to building trust in the marketplace. PwC's 'community of solvers' combines the breadth of strategic knowledge and hands-on implementation experience to help your business—and your people—adjust to change and thrive in an unpredictable world. Our organisational strategists, human resource (HR) practitioners, and regulatory, tax, technology and employment specialists, work together to help unleash the potential of your people, build trust in your market and deliver sustained outcomes for your business.

We are a leading Workforce practice according to independent analysts. We bring a differentiated combination of industry, business, strategy, talent, HR, analytics and technology expertise with more than 7,500 people in 111 countries.

Together, we help you deliver the sustained outcomes and value you're looking for—from workforce transformation and people strategy through to organisational execution.

This means you get a 'community of solvers' with the right skills and breadth of experience wherever you need us around the world.

Contacts

If you would like to discuss the contents of this report, please reach out to one of our experts. With a global network of specialised reward professionals in over 50 countries, we can provide you with the expertise you need. If you require assistance from an expert in a different country, our team can connect you with an international reward colleague.

Celine Buys
Partner, Workforce
T + 31 (0)6 10 48 49 55
celine.buys@pwc.com

Navjeet Rosenthal-Gill
Senior Manager, Workforce
T + 31 (0)6 12 06 08 16
navjeet.rosenthal-gill@pwc.com

Frank van Oirschot
Senior Director, Workforce
T + 31 (0)6 51 11 38 73
frank.van.oirschot@pwc.com

Ronny Wik
Senior Manager, Workforce
T + 31 (0)6 53 72 77 76
ronny.wik@pwc.com

Sander Schouten
Director, Workforce
T + 31 (0)6 53 42 05 42
sander.schouten@pwc.com

Arjen Beijk
Senior Manager, Workforce
T + 31 (0)6 78 87 03
beijk.arjen@pwc.com

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