

# ***Remuneration report by the Supervisory Board of Accell Group N.V. for 2017<sup>1</sup>***

## **Selection/remuneration committee**

The Supervisory Board has set up a selection/remuneration committee from among its members. The selection/remuneration committee has been made up, until Mr. A. Kuipers resigned from the Supervisory Board of Mr A. Kuiper (chair) and Mr A.J. Pasman. After this resignation by Mr. A. Kuiper the selection/remuneration committee is made up by mr. P.B. Ernsting (chair a.i.) and Mr. A.J. Pasman. The composition of this committee is in accordance with the provisions of the Dutch Corporate Governance Code. The duties of the selection/remuneration committee are, among other matters, to prepare the Supervisory Board's resolutions concerning the adoption of remunerations and other powers granted or delegated to it. The selection/remuneration committee assists the Supervisory Board in carrying out its responsibilities and focusses on the making of proposals to the Supervisory Board about the selection criteria and appointment procedure for members of the Supervisory Board and the Board of Directors, and on the remuneration policy to be pursued and the remuneration (including, among other things, the amount of the fixed remuneration, the variable remuneration, pension rights, redundancy pay and other conditions) of the members of the Board of Directors, for adoption by the Supervisory Board.

The performance of the Board of Directors as a whole and of its individual members were discussed by the Supervisory Board during its meeting held on 9 March 2017. The fixed remunerations for 2017 of the individual members of the Board of Directors were decided at this meeting and a decision was made about the award of share options and conditional shares. On the basis of the performance in the financial year 2016 share options have been awarded and conditional shares have been awarded in accordance with the share scheme that is part of the remuneration policy as adopted by the General Meeting of Shareholders. The definitive award of these shares conditionally awarded and the determination of the number of shares that will be awarded will take place two years after the moment of the conditional award on the basis of the criteria that are part of the share scheme. During the meeting it was also determined what percentage of the shares conditionally awarded to the members of the Board of Directors in 2015 are awarded definitively and the bonuses for the financial year 2016 were determined. These bonuses are reflected in the annual accounts for 2016.

During the meeting of the Supervisory Board held on 8 March 2018, the performance of the (members of the) Board of Directors as well as their fixed remunerations for 2018 were discussed and it was decided that options and conditional shares are awarded in relation to the performance in the financial year 2017. The definitive award of the shares conditionally awarded and the determination of the number of shares that will be awarded will take place two years after the moment of the conditional award on the basis of the criteria that are part of the share

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<sup>1</sup> This report appears on the Accell Group website ([www.accell-group.com](http://www.accell-group.com)).

scheme that is part of the remuneration policy as adopted by the General Meeting of Shareholders. During the meeting of the Supervisory Board held on 8 March 2018 it was also decided what percentage of the shares conditionally awarded to the members of the Board of Directors in 2016 are awarded definitively and the bonuses for the financial year 2017 were determined. These bonuses are reflected in the annual accounts for 2017.

## **Remuneration policy**

### Introduction

The remuneration policy for the Board of Directors as prepared by the Supervisory Board was adopted by the General Meeting of Shareholders for the first time on 21 April 2005. In 2008 the Supervisory Board drew up a new remuneration policy for the Board of Directors. This remuneration policy was adopted at the General Meeting of Shareholders on 24 April 2008 and the share scheme for the Board of Directors was also approved at this meeting. In 2010 a technical adjustment was made of the remuneration policy adopted by the General Meeting of Shareholders in 2008 and the share scheme for the Board of Directors included in this scheme. The remuneration policy adjusted by the Supervisory Board was adopted at the General Meeting of Shareholders on 22 April 2010; at that time the share scheme for the Board of Directors included in this policy was also approved. In accordance with the remuneration policy most recently adopted and the share scheme approved and included in this policy, conditional shares in addition to share options may be awarded to the members of the Board of Directors. The definitive award of the shares conditionally awarded in any year will take place two years after the moment of the conditional award of shares, with a reference period of three years as regards the calculation of the definitive number of shares to be awarded. After the definitive award of the shares a lock-up period of two years is applicable. Before drawing up the remuneration policy, the supervisory board has analysed the possible outcomes of the variable remuneration of the members of the Board of Directors.

As part of this remuneration policy adopted by the General Meeting of Shareholders, the Supervisory Board determines the remuneration of the individual members of the Board of Directors.

### Principles

The remuneration policy is intended to provide the possibility to attract qualified candidates for the Board of Directors, who possess both the necessary management qualities and the required background. The policy is also intended to serve as a challenge, to ensure continued focus on the realisation of long-term value creation and performance and shareholder value of the company, to motivate executives and to retain good performers.

In setting the level and structure of remuneration, factors such as profit developments, share price movements and other developments that are relevant for the company are taken into consideration.

To realise the above principles, it is intended to position the remuneration packages at a competitive level in the Dutch remuneration market for executives of medium-sized companies. In order to adjust for differences in size and complexity within the various companies comprising this market, the remuneration packages of members of the Board of Directors of Accell Group N.V. are positioned at the average for executives with comparable positions in terms of responsibility. A specific reference market is not readily available due to the limited number of comparable listed companies. The remuneration package is also intended to be able to attract qualified executives from other business sectors.

The Supervisory Board regularly reviews the remuneration package in order to ensure that it meets the remuneration criteria mentioned above, both in terms of composition and level and takes into account the performance criteria. A market comparison of the fixed and variable remuneration of the Board of Directors by an external expert commissioned by the Supervisory Board took place in 2017. Their report does not give any reason to any fundamental adjustment of the current remuneration package.

At its discretion, the Supervisory Board may annually adjust the remuneration of a member of the Board of Directors, based on its assessment of the state of the company and the performance of individual directors, thus acting in the spirit of the relevant regulations. The Supervisory Board is thus authorised to adjust the remuneration, both upward and downward.

### **Remuneration package**

The total remuneration of the Board of Directors of Accell Group N.V. consists of:

- Fixed remuneration
- Short-term bonus scheme
- Option scheme
- Share scheme
- Pension and other benefits

#### Fixed remuneration

The fixed remuneration is intended to correspond with the remuneration market as described above. In connection with this, it has been decided to follow the median level within this remuneration market. Should the fixed remuneration of an individual director be below this normative level for the position upon entering employment, the Supervisory Board will then decide regarding the further growth in remuneration. Assuming acceptable performance, the normative level for the fixed remuneration of the board member can in principle be achieved after approximately three years following appointment to the Board of Directors.

Evaluation and adjustment of the fixed remuneration takes place annually as of 1 January of any year, taking into account the performance of individual board members, the financial results for the previous year, any (annual) general adjustment of salary levels at Accell Group N.V. in the Netherlands, as well as the further growth if the normative level has not yet been reached.

### Variable remuneration

Each member of the Board of Directors is entitled to a bonus upon realisation of previously agreed performance criteria that reinforce both the short-term and long-term goals of Accell Group N.V. The performance criteria for the Board of Directors as a whole and of the individual directors are formulated and established by the Supervisory Board at the beginning of each year, in consultation with the Board of Directors.

#### *Short- and long-term bonus scheme*

The annual bonus that may be awarded consists of a short-term bonus and a long-term bonus. The short-term bonus is a cash payment; the long-term bonus is a combination of share options and shares that are awarded conditionally. Both the long-term bonus and the short-term bonus ensure a focus on the realisation of long-term value creation and to safeguard and to increase the performance and valuation growth of the company, as the stipulated objectives consists of mostly long-term criteria.

The short-term bonus is limited to a maximum of 50% of the fixed remuneration and depends for 80% on the realisation of return targets and for 20% on the realisation of individual targets.

Awarding of options and conditional shares is dependent on the realisation of return targets. The number of options that is awarded, is determined by dividing the half of the fixed remuneration of the relevant member of the Board of Directors at the maximum by the exercise price of the options. The exercise price of the options is equal to the average of the closing rates on the last five trading days prior to and including the day on which the options are awarded. Following receipt of the options, the members of the Board of Directors must retain them for at least three years, in order to strengthen the link between the interests of the Board of Directors and those of the shareholders.

In addition to share options, conditional shares may be awarded. The conditional shares have an underlying value (number times share price at the time the shares are awarded conditionally) equal to a maximum of 50% of the fixed remuneration. The number of conditional shares that are awarded, is determined by dividing the half of the fixed remuneration of the relevant member of the Board of Directors by the average of the closing prices on the last five trading days prior to and including the day on which the shares are awarded. The percentage of the conditionally awarded shares that are awarded definitively shall be determined on the basis of the shareholder return of Accell Group N.V. (TSRA, Total Shareholder Return of Accell Group N.V.) compared to the shareholder return on shares included in the Amsterdam Midcap Index of Euronext in Amsterdam (TSRM, Total Shareholder Return of the Midcap) for a continuous period of three years. In the event that TSRA is equal to TSRM such percentage shall be 50%. The maximum percentage is 125% if TSRA is 10% higher than TSRM. Following definitive receipt of the shares the members of the Board of Directors must retain them for at least two years.

### Pension

The members of the Board of Directors of Accell Group N.V. do not fall under any of the pension schemes that apply to other employees, but instead under a separate scheme. The pension

scheme for the Board of Directors is a defined contribution plan. Deviating pension arrangements dating from the past are maximised to a fixed contribution per year that can be adjusted annually.

#### Other benefits

The other benefits awarded by Accell Group N.V. to members of the Board of Directors are similar to those for other employees. These include an expense allowance, an allowance for health insurance premiums, accident insurance, disability schemes and a company car. In addition, the company has taken out directors' and officers' liability insurance for the Board of Directors. Accell Group N.V. does not issue loans to Directors.

#### Contracts

The conditions of service of the directors of Accell Group N.V. that were appointed before 2005 are set out in employment contracts for an indefinite period. Currently new directors are in principle appointed for a period of four years on the basis of agreements of assignment. An agreement of assignment for an initial period commencing on 1 April 2015 and ending on 1 May 2019 has been entered into with Mr. J.J. Both, who was appointed as a member of the Board of Directors on 23 April 2015. An agreement of assignment for an initial period commencing on 1 November 2017 and ending on 1 May 2022 has been entered into with Mr. A.H. Anbeek, who was appointed as Chair and member of the Board of Directors. Pursuant to the aforementioned employment contracts and agreements of assignment, respectively, the notice period for Accell Group N.V. is six months, and for the directors it is three months. The aforementioned employment contracts do not contain any severance scheme. The agreements of assignment provides for a severance payment in case of involuntary dismissal of a maximum of one year's fixed remuneration.

### **The policy in effect for 2017**

#### Fixed remuneration

During its meeting held on 9 March 2017, the Supervisory Board discussed the remuneration of the members of the Board of Directors. The fixed remunerations for 2017 of the individual members of the Board of Directors were decided at this meeting in accordance with the remuneration policy as adopted by the General Meeting of Shareholders.

#### Bonus

The following criteria applied for the financial year 2017 to the bonuses of members of the Board of Directors:

- The profit per share must have shown growth as compared with 2016.
- The profitability must exceed a certain threshold value.
- The other targets agreed with the Board of Directors must have been met.

On 8 March 2018 a bonus was awarded to the members of the Board of Directors on the basis of the results realised in 2017 varying in height within a range of 8-9% of the fixed remuneration.

### Option scheme

On 8 March 2018 the Supervisory Board decided that on the basis of the remuneration policy as most recently adopted by the General Meeting of Shareholders on 22 April 2010 and considering the performance in the financial year 2017, options are awarded to the members of the Board of Directors for that year. For the year 2017 the maximum number of options is awarded, calculated on the basis of 20% of the fixed remuneration of the relevant member of the Board of Directors.

### Share scheme

On 8 March 2018 conditional shares were awarded in accordance with the share scheme that is part of the applicable remuneration policy. The definitive award of these shares conditionally awarded will take place two years after the moment of conditional award in accordance with the applicable share scheme.

### Pension

Each year Accell Group N.V. makes available to the members of the Board of Directors a fixed contribution (subject to a maximum) for the benefit of pension accrual.

### Amounts

For the exact amounts of the remuneration of members of the Board of Directors in 2016, reference is made to item 26, paragraph 5.7 of the notes to the annual accounts as included in the management report 2017.

## **The policy in effect for 2018**

During its meeting held on 8 March 2018 the Supervisory Board discussed the remuneration of the members of the Board of Directors. The fixed remunerations for 2018 of the individual members of the Board of Directors were decided at this meeting in accordance with the remuneration policy as adopted by the General Meeting of Shareholders.

In March 2019 the Supervisory Board shall determine –on the basis of the remuneration policy as adopted by the General Meeting of Shareholders– the variable remuneration of the members of the Board of Directors with respect to the financial year 2018 and the percentage of the shares conditionally awarded in 2017 that will be awarded definitively.

## **Internal pay ratio**

The pay ratio of the Board of Directors compared to the average employee compensation during 2017 is 15:1. The pay ratios can vary over time as a result of the Accell Group's annual performance. This performance impacts the remuneration of the Board of Directors more than of all other employees.

The ratio consists of the average remuneration of the Board of Directors compared to the average cost of all other employees of Accell Group. The average remuneration of the Board of Directors is calculated from the sum of the fixed salary, short-term incentives, share based

payments, pensions and other benefits of the four members of the Board of Directors. The average cost of all other employees is calculated from the personnel costs as included in the annual accounts of 2017 and the average number of employees during the year minus four.