

# REMUNERATION REPORT 2019

## Remuneration Policy

This section provides an overview of the current remuneration policy of the Company. The Executive Board remuneration policy has been adopted by the General Meeting, most recently in 2017. In light of the recent implementation of the Shareholders' Rights Directive II in the Dutch Civil Code, a revised remuneration policy for the Executive Board will be proposed to the General Meeting at the 2020 AGM.<sup>1)</sup>

## Objectives and principles of remuneration

The basic precept of the remuneration policy is that qualified members of the Executive Board must be recruited and retained based on terms in line with the market in order to safeguard ICT's long-term and short-term interests, to the extent possible. The remuneration policy fits the Company's culture and strategy by the choice of remuneration levels and remuneration components and by the performance criteria for the short-term and long-term incentives. This concept applies equally to the remuneration of

the Supervisory Board members, with the exception of the short-term and long-term incentives.

Furthermore, the policy is directed at ensuring that the Executive Board members are not driven to take risks that do not fit the strategy and is oriented towards preventing Executive Board members from acting in their own interests at the expense of ICT and its shareholders. To achieve this, the variable part of the remuneration is kept in balance with the fixed part.

The internal pay ratio is also considered when determining the total remuneration. The remuneration of the members of the Executive Board is based on benchmarking with a wide reference group of companies consisting of publicly-listed companies that are comparable in terms of size and revenue, with international operations and with headquarters in the Netherlands.

The remuneration policy for the members of the Executive Board is adopted by the AGM based on a proposal by the Supervisory Board. The Supervisory Board determines the remuneration of the individual members based on a proposal by the Remuneration Committee, conforming with the established remuneration policy.

## Peer group benchmark

The peer group comparison serves as an essential element to determine the overall competitiveness of the Executive Board's compensation.

At the request of the Company, the Dutch office of a leading rewards and benefits consultancy firm performed benchmark assessments for the positions of CEO and CFO against the established market reference group in 2016.

Market levels are reported at the 25th percentile ('P25'), median ('M') and 75th percentile ('P75') levels for the following compensation elements:

<sup>1)</sup> This remuneration report is considered to be the remuneration report (bezoldigingsverslag) as referred to in section 2:135b DCC and the remuneration report as referred to in clause 3.4 of the Dutch Corporate Governance Code.

1. Base salary
2. Short term variable remuneration ('STI', as a % of base salary)
3. Total Cash Compensation, at target ('TCC' = 1 + 2)
4. Long-term variable remuneration ('LTI', as a % of base salary)
5. Total Direct Compensation ('TDC' = 3 + 4)

The market levels and incentive percentages are rounded at € 5,000 and 5% respectively.

The established reference group also consisted of (then) somewhat larger companies to reflect the aspirations for growth of the Company in the (near) future.

For both the CEO and CFO, the proportion fixed versus variable remuneration adopted is comparable to that for the reference group.

For the CEO, the proportion short-term incentives versus long-term incentives is slightly less focused on LTI compared to the reference group. For the CFO, the proportion short-term incentives versus long-term incentives is comparable to the reference group.

The Supervisory Board intends to have the peer group assessment updated in the course of 2020, following the anticipated updated remuneration policy of the Company.

### Remuneration package

The remuneration package pursuant to the current remuneration policy for the members of the Executive Board consists of the following components:

- a fixed remuneration consisting of a fixed management fee and a fixed amount to compensate for the cost of pension accrual as well as insurance for healthcare and occupational disability;
- a variable remuneration linked to short-term results (short-term incentive) in the form of a cash bonus for achieving the annual performance criteria; and
- a variable remuneration linked to long-term achievements (long-term incentive) in the form of a cash bonus depending on the increase in earnings per share.

By breaking down the remuneration into various components, the Supervisory Board strives to achieve a healthy balance between short-term and long-term aspects of the remuneration. The Supervisory Board is of the opinion that the variable components are appropriate given the role of the members of the Executive Board, the company profile and its risk profile.

### Fixed remuneration

Members of the Executive Board receive a fixed

management fee plus a fixed amount as compensation for the cost of pension accrual as well as the cost of insurances for healthcare and occupational disability depending on the specific agreement with the member of the Executive Board. The level of fixed remuneration remains unchanged for a number of years (albeit index linked). The adjustment to the fixed remuneration as a result of indexation is determined in December and comes into effect on 1 January of the following year.

### Variable remuneration - Short-term incentive

The short-term incentive of a member of the Executive Board – to be awarded in the event that the performance criteria are met – amounts to 50% of the fixed management fee that was paid during the year. In the event that the criteria are exceeded, the short-term incentive can increase up to a maximum of 100% of the fixed management fee. If the performance criteria are not fully met but performance is above the pre-established threshold level, the short-term incentive can amount to 25 to 50% of the fixed management fee. No short-term incentive is granted if performance fails to reach the threshold level.

Each year the Supervisory Board determines the short-term incentive performance criteria for the following year and establishes the relationship between

the performance level and payment level in a graduated performance scale. The performance criteria are laid down in balanced scorecards.

Seventy per cent (70%) of the short-term incentive is linked to financial performance criteria and thirty per cent (30%) to other qualitative performance criteria, which are linked to the strategy of the company. For the financial targets, the Supervisory Board only uses the key figures that are most relevant to assess the performance of the company in relation to its strategic objectives. These are revenue, EBITDA and operational cash flow. The extent to which the financial performance criteria are achieved is determined with reference to the Company's audited financial statements submitted for adoption to the AGM.

The qualitative performance criteria for the 30% of the short-term incentive might vary from year to year. The extent to which these criteria are achieved is determined discretionally by the Supervisory Board on the basis of the measured data (where relevant, provided by independent external parties).

In case of exceptional circumstances, the Supervisory Board can exercise its discretion and decide to pay a higher or lower short-term incentive than the incentive that would result from using the previously determined criteria.

The short-term incentive is distributed after the AGM has adopted the financial statements relating to the performance year in question. Each member of the Executive Board must invest 33% of the short term variable remuneration in ICT shares (see below).

The Executive Board's balanced scorecard (BSC) also forms the basis for the bonus arrangements of the Group management executives and middle management levels and therefore helps to steer the performance of the Company in a coordinated, consistent manner throughout the Group.

#### **Variable remuneration - Long-term incentive**

The long-term incentive is linked to the increase in earnings per share and depends on the amount of investment in ICT shares by the relevant member of the Executive Board. Depending on the increase in earnings per share achieved over a performance period of three years, the member of the Executive Board may be awarded a long-term cash bonus.

Based on the rules pertaining to the short-term incentive, each member of the Executive Board must invest 33% of the amount of the short-term incentive in ICT shares. The investment must be made within a period of two months after the date on which the

respective Executive Board member becomes entitled to the amount of the short-term incentive. Shares purchased must be kept for at least three years or until the end of the Executive Board member's appointment if this period is shorter. Accordingly, the lock-up period is never longer than the period of appointment.

In addition to this obligatory investment in ICT shares, each year the members of the Executive Board may each invest a further sum of up to 33% of the fixed management fee that was paid in the base year to which the short-term incentive relates. This additional investment falls under the long-term incentive rules if the investment is made within the two-month period that applies to the mandatory investment.

If during the three financial years after the base year the level of earnings per share has reached the set EPS target, the Company shall pay a cash bonus equal to 100% of the amount invested in the base year. If the set target is exceeded, the cash bonus can amount to a maximum of 150% of the invested amount. If the target is not achieved, but earnings per share are still above or at the threshold level, then the cash bonus equals 50-100% of the invested amount. Below the threshold level there is no cash bonus. The performance criteria and the threshold and maximum levels of the

long-term incentive plan are determined each year by the Supervisory Board. Based on the actual target realizations and the recent multi annual projections, the necessary provisions are formed to process the charge for the estimated cash bonuses for current vesting periods.

### Balanced scorecard

The STI program provides for allocation of variable remuneration in cash based on the delivered year performance on the three financial and three qualitative criteria. The Supervisory Board each year determines the criteria, the relative weight of the criteria and the required minimum (threshold) target and maximum (ceiling) target. Criteria, weighting and required performance levels may therefore differ per year. Each year the performance is assessed on each criterium. If the criteria are above threshold level, the performance outcome is converted to the corresponding level of benefit. In line with the Company's remuneration policy, the STI payment per criteria is dependent on the actual performance level per criteria:

- with achievement of targets in all six performance criteria, the STI payment equals to 50% of the fixed remuneration;
- at the threshold level will be paid half of it, so 25% of the fixed remuneration;

- at maximum level, the benefit is double the target value, so a full year's fixed management fee.

### Share ownership

The Company does not have share ownership guidelines for the Executive Board members. The number of (certificates of) shares and the (certificates of) shares under a lock up in accordance with the LTI plan held by the Executive Board members at the financial year ends 2019 and 2018 are shown in the following table.

Share ownership by Executive Board members	CEO	CFO
Number of shares 2019	43,944	25,857
Number of shares 2018	42,746	25,857
Number of shares in lock up	29,888	18,243

### Scenario analysis

A scenario analysis of the possible outcomes of the variable components and the impact on the remuneration of the Executive Board members is conducted annually to i) minimise the risk that the performance criteria lead to inappropriate outcomes and to ii) assess the impact of the outcome on the remuneration of the respective member of the Executive Board, and the pay ratio within the company.

### Right to reclaim the variable remuneration ('claw back')

As part of the Remuneration policy the company is authorised to reclaim – in part or in full – the variable remuneration if the distribution was made on the basis of incorrect information about the achievement of the performance criteria or regarding the circumstances upon which the variable remuneration depended.

### Agreements and appointment term

Members of the Executive Board are appointed for a period of four years and may be reappointed for consecutive periods of four years. Executive Board members have a management agreement with the Company rather than a contract of employment. As a rule, these agreements are concluded for a period of four years with the possibility of an extension. A mutual notice period of six months shall apply. In the event that the Company serves a notice to terminate, the Company will pay the fixed management fee during the notice period as well as a severance amount equal to 50% of the annual fixed management fee.

### Change of control

This specific element has not been included in the agreement entered into between the company and the members of the Executive Board providing for

compensation in the event of termination of the management contract following a public offer for the Company.

### Loans

The company does not grant any personal loans or advances to or guarantees on behalf of the members of the Executive Board.

## SUPERVISORY BOARD REMUNERATION

The remuneration for the members of the Supervisory Board was determined at the Annual General Meeting of Shareholders on 13 May 2015 and set for the period from 2015 to 2018 / 2019. Given the increased scale, growth and expansion of the Company and the commensurate increase in time spent by the Supervisory Board members and the fact that the remuneration had not been amended since 2015, an external advisor was engaged in 2018 to review the remuneration of the Supervisory Board in accordance with the Profile and requisite competencies. The assessment was based on a benchmark study and an assessment of the hours spent by the Supervisory Board members, in line with the

Dutch Corporate Governance Code. Based on the conclusions of that assessment and following adoption by the General Meeting at the 2019 AGM of a new Supervisory Board and Committees remuneration, the current remuneration of the Supervisory Board members is as set out below.

Following the appointment of a fifth member of the Supervisory Board at the 2019 AGM, the Remuneration and Appointments Committee (RAC) has been split into two separate committees, being the Remuneration Committee and the Selection and Appointment Committee in conformity with the Corporate Governance Code. In 2019 the remuneration for the RAC members has been attributed to the members of the Remuneration Committee and no additional remuneration is being paid to the members of the Selection and Appointments Committee.

- a standard remuneration of € 45,000 per annum for the Chairman of the Supervisory Board;
- a standard remuneration of € 32,000 per annum for each member of the Supervisory Board;
- an additional remuneration of € 7,000 per annum for the Chairman of the Audit Committee;
- an additional remuneration of € 5,000 per annum for the Chairman of the Remuneration and Appointments Committee;

- an additional remuneration of € 5,000 per annum for each member of the Audit Committee;
- an additional remuneration of € 3,000 per annum for each member of the Remuneration and Appointments Committee; and
- an allowance of € 2,500 per annum for each member for general expenses.

### Loans

The company does not grant any personal loans or advances to or guarantees on behalf of the members of the Supervisory Board.

## REMUNERATION EXECUTIVE BOARD IN 2019

The remuneration in 2019, in accordance with the remuneration policy and taking into account a scenario analysis of possible outcomes, is focused to align the remuneration with the business strategy through the creation of specific short-term and long-term targets that link each Executive Board member's variable pay to the success of the Company. As such both the short-term and long-term plans are linked to the business strategy and accordingly to longer term value creation

and sustainability of the Company. Variable remuneration is higher when targets are exceeded and no variable remuneration is payable if threshold targets are not met. This helps to ensure the alignment of the Executive Board members' interests with that of the Company's stakeholders.

### Balanced scorecard 2019

#### On target bonus full year 2019

### Fixed remuneration in 2019

The fixed management fee including indexation, in accordance with the remuneration policy, has been paid out as well as the pension contribution and costs for insurance, as described above.

### Variable remuneration in 2019 – short term

The overall score for both members of the Executive Board on the performance criteria for the variable short-term incentive and the bonuses earned have been set out in the Balanced Scorecard for 2019 hereunder.

Bonus Criteria		Weighting	Threshold Rate	Ceiling	Weighted Pay out percentage	Earned Bonus J.H. Blejje	Earned Bonus W.J. Wienbelt
<b>1</b>	<b>Financial Objectives</b>	<b>70%</b>					
1.1	Revenue ICT Group	25%	95%	110%	25%	44,398	30,445
1.2	EBITDA ICT Group	25%	90%	120%	0%	-	-
1.3	Operational cash flow	20%	80%	140%	20%	35,403	24,276
<b>2</b>	<b>Qualitative Objectives</b>	<b>30%</b>					
2	Qualitative Objectives	30%			25%	44,623	30,599
BSC realisation 2019 in %					70%	124,425	85,320

The same performance criteria have been applied to both members of the Executive Board in recognition of the fact that i) the members act as a team and ii) these criteria are applicable equally to both members. The Supervisory Board is of the opinion that no significant distinction can be made which would allow for a justified differentiation in the application of the variable remuneration criteria set for this year. Therefore, the outcome of all criteria leads to the same score percentage for both members.

#### Variable remuneration in 2019 – long term

The estimated amounts have been accrued but will be only payable after the three year lock-up period. Final amounts payable will depend on the increase in earnings per share during the three year lock-up period. In 2019, no amounts have been paid to the members of the Executive Board related to the long-term incentive plan (2018: € 33,902 and € 22,437 to respectively the CEO and the CFO). The costs related to the long term incentive plan amounted to a negative € 84,460 in 2019 (2018: charge € 209,350). The related liability has been recognised under 'share-based compensation and long term incentive plan liabilities' in the consolidated balance sheet.

#### Pay ratio

Further to best practice 3.4.1 sub (iv) of the Dutch Corporate Governance Code, the remuneration of the CEO will be compared to the average remuneration of all direct FTEs with an employment contract based in the Netherlands. The total remuneration of the CEO includes the fixed management fee, the fixed amount to compensate for the cost of insurances for healthcare and occupational disability as well as for the cost of pension accrual and a company car. The total remuneration of the FTEs includes the fixed remuneration including employer costs of the fixed remuneration plus the cost of a company car and general expenses. Based on this calculation the pay ratio in 2019 is 5.3 and equals that in 2018 (5.3).

Additionally, a pay ratio has been calculated on the basis of the CEO's fixed management fee, the variable remuneration payable in 2019, the fixed amount to compensate for the cost of insurances for healthcare and occupational disability as well as for the cost of pension accrual and a company car. Based on this calculation the pay ratio is 6.3. (2018: 9.4).

The variable remuneration of the Executive Board members is lower in 2019, when compared to 2018, and reflects the Company's performance.

In the table on the next page remuneration developments over time are presented, related to company performance and employee pay developments.

## Remuneration and Company performance over the last five reported financial years

Annual change		2014 - 2015	2015 - 2016	2016 - 2017	2017 - 2018	2018 - 2019	2019
<b>Executive Board members *</b>							
Mr. J.H. Blejje	Actual change	(25,188)	3,410	152,171	(42,149)	(76,777)	532,125
	Relative change	-4.8%	0.7%	30.5%	-6.5%	-12.6%	
Mr. W.J. Wienbelt	Actual change	(20,549)	2,200	91,876	(6,539)	(44,337)	360,600
	Relative change	-6.1%	0.7%	28.7%	-1.6%	-10.9%	
<b>Supervisory Board members **</b>							
Th.J. van der Raadt	Actual change	6,250	3,750	-	2,563	(1,063)	46,500
	Relative change	17.9%	9.1%	0.0%	5.7%	-2.2%	
F.J. Froschl	Actual change	3,125	1,875	-	-	(18,750)	11,250
	Relative change	12.5%	6.7%	0.0%	0.0%	-62.5%	
D. Luthra	Actual change	3,125	1,875	-	-	1,875	37,875
	Relative change	10.1%	5.5%	0.0%	0.0%	5.2%	
G.A. van der Werf	Actual change				23,333	12,917	36,250
	Relative change						
W. van de Bunt	Actual change				-	23,125	23,125
	Relative change						
A. de Vries-Schipperijn	Actual change				-	21,875	21,875
	Relative change						
<b>ICT Group Performance Measures</b>							
Revenue	Actual change	8,744	17,942	15,260	24,865	25,615	155,469
	Relative change	13.9%	25.0%	17.0%	23.7%	19.7%	
EBITDA (pre-ifs 16 comparison)	Actual change	2,485	3,154	1,702	1,476	(1,747)	11,727
	Relative change	53.4%	44.2%	16.5%	12.3%	-13.0%	
Operational cash flow	Actual change	3,189	660	746	4,920	6,070	19,253
	Relative change	86.9%	9.6%	9.9%	59.5%	46.0%	
<b>Employees of the company ***</b>							
	Actual change	13,826	(8,096)	2,499	2,891	361	
	Relative change	24.5%	-11.5%	4.0%	4.5%	0.5%	

\* Totals include long-term variable remuneration for EB members which is based on 'actuals' for each year (not accrued company costs).

\*\* The changes in Supervisory Board remuneration also reflect changes in committee memberships.

\*\*\* Average salary 2016 compared with 2015 is 11,5% lower due to fast growth of ICT Nearshoring (lower average salary) and mix effects (less years of experience).

## Summarised overview of Executive Board remuneration policy of the Company and application in 2019

	Policy summary	Application in 2019 summary	Application in 2018 summary
Fixed management fee	Fixed management fee	CEO: € 357,700 CFO: € 245,280	CEO: € 350,000 CFO: € 232,500
	Indexation applied	Yes	Yes
Short-term incentive	Performance criteria (see BSC)	CEO: € 124,425 CFO: € 85,320	CEO: € 175,000 CFO: € 120,000
Long-term incentive	Earnings per share increase (yearly increase or decrease of necessary accrual)	CEO: -€ 53,197 CFO: -€ 31,263	CEO: € 130,256 CFO: € 79,094
Pension (including costs for insurances)	In addition to fixed contribution	CEO: € 50,000 CFO: € 30,000	CEO: € 50,000 CFO: € 30,000
Costs for insurances (not specifically agreed upon)	Included in fixed contribution for pension		
<b>Total remuneration</b>		<b>CEO: € 478,928</b> <b>CFO: € 329,337</b>	<b>CEO: € 705,256</b> <b>CFO: € 461,594</b>
Relative percentage of fixed and variable remuneration (pursuant to section 2:135b lid 3 sub b DCC)		CEO: fixed 65% and variable 35% CFO: fixed 65% and variable 35%	CEO: fixed 65% and variable 35% CFO: fixed 65% and variable 35%

## Remuneration Supervisory Board in 2019

The total remuneration for members of the Supervisory Board in 2019 is as follows:

Members of the Supervisory Board	Remuneration <sup>1) 2)</sup>	Comments
Mr. Th.J. van der Raadt, chairman	€ 46,500	Inclusive of RAC membership compensation <sup>3)</sup> . Pro rata application of former Supervisory Board remuneration level and new remuneration level.
Mr. D. Luthra, vice-chairman	€ 37,875	Inclusive of AC Chairman compensation. Pro rata application of former Supervisory Board remuneration level and new remuneration level.
Mr. F. Fröschl	€ 11,250	Pro rata payment for the period up to AGM.
Mrs. G.A. van der Werf	€ 36,250	Inclusive of RAC Chairman compensation <sup>3)</sup> . Pro rata application of former Supervisory Board remuneration level and new remuneration level.
Mr. W. van de Bunt	€ 23,125	Inclusive of AC membership compensation and pro rata payment for the period from AGM to 31 December 2019.
Mrs. A. de Vries-Schipperijn	€ 21,875	Inclusive of RAC member compensation and pro rata payment for the period from AGM to 31 December 2019.

<sup>1)</sup> Excluding a yearly allowance of € 2,500 for general expenses.

<sup>2)</sup> The whole amount of compensation for all Supervisory Board members is fixed remuneration.

<sup>3)</sup> In 2019 the amounts available for the RAC members have been attributed to the members of the Remuneration Committee and no additional amount has been paid to the members of the Selection and Appointments Committee.

### Remuneration policy going forward

In accordance with the implementation of the SRD II, the Company has prepared an amended Executive Board Remuneration Policy as well as a Supervisory Board Remuneration Policy going forward which will be proposed for approval as part of the agenda of the 2020 AGM.