

# REMUNERATION REPORT

## Remuneration of the Board of Management

The Remuneration Committee advises the Supervisory Board on the formulation of the remuneration policy and the setting of the individual remuneration of the Board of Management. The remuneration policy is designed to attract, motivate and retain qualified top management who will enable Holland Colours to achieve its strategic and operational goals.

Following the implementation of the EU Shareholders' Rights Directive into Dutch law on December 1, 2019, a proposal will be put to the Annual General Meeting of Shareholders on July 16, 2020 to amend the Policy in line with the new legislation (Article 2:135a DCC). The change in legislation will not entail material changes to the remuneration policy that was already in place and was applied. This remuneration report referred to in Book 2: 135b DCC will be put before the AGM on July 16, 2020 for an advisory vote.

The remuneration policy is intended to encourage enterprising behavior, but also has to be in reasonable proportion to the remuneration of the other management personnel. Holland Colours' remuneration policy is appropriate to its identity and strategy and is result-oriented and straightforward in its application. It also takes account of the social context, the corporate governance structure and the interests of Holland Colours stakeholders. Except for 75% of the profit sharing settled in Holland Pigments shares, there is no place for long-term variable remuneration in the form of financial instruments such as shares or options. The development of Holland Colours share price is not an element in the remuneration policy.

Holland Colours benchmarks the salaries of the company's senior management when applicable with the support of a third party. We strive to offer compensation at the median level compared to companies similar in size, international scope and complexity and located in the same geographical area. The salaries of our employees are reviewed annually and a job evaluation and rating process is conducted. In adopting this approach, Holland Colours ensures fair pay compared to other companies in line with the type of company Holland Colours is.

In 2019/2020, the internal pay ratio was 10.36 (2018/2019 10.45) based on the annual total remuneration of the CEO and the average total remuneration of all other full-time employees, as reported in accordance with IFRS, excluding discretionary elements.

The remuneration of the members of the Board of Management consists of:

- A fixed gross annual salary including 8% holiday allowance;
- Pension based on a defined contribution system;
- Other employment benefits (reimbursement of specific expenses or contribution and a company car);
- Variable remuneration:
  - in cash for short-term achievements (one year);
  - profit-sharing.

Claw-back and ultimate remedium provisions are subject to the Dutch Civil Code.

Members of the Board of Management have a change-of-control arrangement and in case of early termination will be covered by a severance provision of six months' gross base salary, in accordance with the Dutch Corporate Governance Code. Holland Colours does not provide any personal loans, guarantees or advance payments to the members of the Board of Management.

The Supervisory Board annually sets the financial targets and individual non-financial targets for the Board of Management. These targets are based on the overall strategic group objectives for the financial year.

Both the financial targets and the non-financial targets for a bonus constitute 50% of the maximum possible variable remuneration, subject to a maximum of three months' salary, being 25% of the gross annual salary. These factors are subdivided into performance criteria. The financial targets are related to Revenue, Return on Sales, and Operating Working Capital. The non-financial targets relate to specific strategic objectives and initiatives, specific KPIs and the development of the organization.

The Board of Management also participates in the employee profit-sharing plan according to the general profit-sharing scheme for all employees, for which particular targets are measured annually. The benefit for a member of the Board of Management depends on the Return on Investments for Holland Colours. The basis is the monthly gross compensation excluding holiday allowance, to a maximum remuneration of one and a half month, being 12.5% of the gross annual salary. However, the Board of Management receives 75% of this profit-share in shares of Holland Pigments, main shareholder and subject to the applicable terms and conditions, and 25% in cash. Depending on the level of achievement of the targets, the total variable remuneration can add from a minimum of 0% to a maximum of 37.5% to the gross annual salary.

For 2019/2020 the Board of Management has achieved the bonus targets for 100%. The ROI of Holland Colours Group is 27.0%. This means that the members of the Board of Management will receive profit-sharing of 1.5 months of which 75% will be received in shares of Holland Pigments.

### SCENARIO ANALYSES

The Supervisory Board and the Remuneration Committee use scenario analyses in the formulation and establishment of the remuneration of the Board of Management as stated in principles 3.1 and 3.2 of the Corporate Governance Code. The scenario analyses are made in order to determine the long-term effect of the level and structure of the Board of Management's variable remuneration. The Remuneration Committee evaluates the total remuneration of the Board of Management each year in order to ensure that the package continues to be competitive and offers appropriate incentives.

### INDIVIDUAL REMUNERATION OF THE BOARD OF MANAGEMENT

(amounts x €1,000 unless stated otherwise)

Board of Management		Fixed remuneration		Variable remuneration	Total remuneration	
		Base salary	Pension plan	Variable	Proportion of variable remuneration (in %)	
Coen Vinke	CEO	326	25	105	456	23.0
Margret Kleinsman*	CFO	179	23	–	202	–
Eelco van Hamersveld	CTO	185	19	55	259	21.4
Total		690	66	160	916	17.5

\* Included for 9 months.

## CHANGES IN THE REMUNERATION PER MEMBER OF THE BOARD OF MANAGEMENT AND COMPANY PERFORMANCE

(amounts x €1,000 unless stated otherwise)

Annual change	Fixed and variable				
	2019/20	18/19 > 19/20	17/18 > 18/19	16/17 > 17/18	15/16 > 16/17
Member of Board of Management remuneration					
Coen Vinke (CEO)	456	38 <sup>1</sup>	–	–	–
Margret Kleinsman (CFO)	202 <sup>2</sup>	(72)	(4)	6	–
Eelco van Hamersveld (CTO)	259	29	–	–	–
Company performance					
Organic revenue growth (in %)	12%	9%	8%	5%	8%
EBITDA	13,677	10,672	10,186	9,150	7,775
EPS (in € x 1,00)	9.09	7.04	6.78	6.03	4.23
Average remuneration on a full-time equivalent basis of employees		4	3	(3)	2
Number of employees of the group	425	419	413	411	409

<sup>1</sup> Included for 11 months.

<sup>2</sup> Included for 9 months.

## Remuneration of the Supervisory Board

The Dutch Act implementing the revised Shareholders Directive also includes a requirement to establish a remuneration policy for the Supervisory Board. The remuneration of the members of the Supervisory Board encourages an adequate performance in this position and is not dependent on Holland Colours' results. The remuneration reflects the time spent and the responsibilities relating to their position. A remuneration benchmark is evaluated on a regular basis to establish whether the remuneration of the members of the Supervisory Board is still appropriate or requires adjustment. The remuneration does not include the award of shares or options on shares. Holland Colours does not provide any personal loans, guarantees or advance payments to the members of the Supervisory Board.

The Supervisory Board proposes remuneration of the Supervisory Board as follows: fixed remuneration per financial year of € 38,000 for the chairman and € 26,000 for each other member of the Supervisory Board. These remunerations are not subject to any general adjustment for inflation. The Supervisory Board proposes that the AGM adopts the remuneration of the Supervisory Board in accordance with this proposal. If there will be any changes to the compensation of the Supervisory Board, this will be proposed to, and therefore subject to the approval of the Annual General Meeting of Shareholders.

**CHANGES IN THE INDIVIDUAL REMUNERATION OF THE SUPERVISORY BOARD OVER THE LAST 5 YEARS**

(amounts x €1,000)

Annual change	2019/20	18/19 > 19/20	17/18 > 18/19	16/17 > 17/18	15/16 > 16/17
Roland Zoomers	38	-	-	6	-
Aukje Doornbos	26	-	-	-	-
Jorrit Klaus	26	-	-	-	-
Gert-Hein de Heer	26	-	-	-	-
Total	116	-	-	6	-