

Remuneration policy 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. The remuneration policy (“Policy”) for the Board of Management of Holland Colours NV supports the company’s purpose, values, strategy and objectives. The dynamic environment in which Holland Colours participates, makes it important that we define our common values based on our vision. Our common values help to provide a uniform response to internal and external challenges so that we achieve our business goals in a right and fair way. For this purpose, we have defined our Code of Conduct. This Code of Conduct addresses our responsibilities to the company, to each other and what our stakeholders may expect from us. It is available on the corporate website. In determining the actual remuneration of the Board of Management, the Remuneration Committee assesses the actual performance delivered based on its strategy in line with the Code of Conduct. The Policy encourages the Board of Management to relentlessly execute the strategy and objectives by being entrepreneurial, taking ownership, going for excellence in everything they do, sharing knowledge to learn fast, continuously improving and innovating and acting with integrity. Holland Colours strives for long-term value growth, while integrating sustainability in its strategy and taking responsibility for human and environment. Meanwhile the public context around remuneration is acknowledged and the interests of all Holland Colours’ stakeholders are recognised.

Following the implementation of the EU Shareholders’ Rights Directive into Dutch law on December 1, 2019, a proposal will be put to the General Meeting of 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, but provide more transparency on the compensation and ratios within Holland Colours. The Annual Report also includes the remuneration report referred to in Book 2: 135b DCC and will be put before the Annual General Meeting of Shareholders on July 16, 2020 for an advisory vote.

Policy review

In establishing this Policy, the Supervisory Board has considered the external environment in which the company operates, legislation and best practice recommendations of the Dutch Corporate Governance Code, new requirements under the EU Shareholders’ Rights Directive and Dutch law.

External competitiveness

To ensure that qualified directors can be attracted and retained, Holland Colours’ remuneration structure must be competitive compared to those of other (Dutch and European) multinational companies, similar in size, international scope and complexity and located in the same geographical area. The Remuneration Committee (“RemCo”) collects information regarding the remuneration levels of similar board memberships and other positions in relevant markets. Holland Colours benchmarks the salaries of the company’s senior management when applicable with support of a third party. We strive to have a compensation at the median level compared to similar sized companies. The remuneration of the Board of Management is in line with the market and will be adapted to the inflation correction if applicable. The salaries of the employees are reviewed annually, and job evaluation and rating process are conducted. In adopting this approach Holland Colours ensures a fair pay compared to other companies in line with the type of company Holland Colours is.

Internal consistency

The principles underlying the remuneration policies for the Board of Management and selected senior executives of Holland Colours are aligned. In this respect Holland Colours strives for internal consistency in remuneration in the main markets of operation.

Holland Colours regularly evaluates the regional compensation of its employees to companies, similar in size, international scope and complexity and in the same region to strive for the same median rating as in the top of the company.

Remuneration Board of Management

Components

Annually, the RemCo reviews the total remuneration of the Management Board members, as well as each remuneration component of their package, on behalf of the Supervisory Board. In doing so, the RemCo takes the remuneration objectives and principles as reflected in this Policy into account.

The total remuneration of the members of the Board of Management Board comprises the following components:

- 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);
- a profit-sharing.

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.

Fixed remuneration

The fixed remuneration of the Board of Management consists of a base salary and a pension plan contribution.

Base salary

The base gross salary is fixed and based on the median of similar companies in terms of size, revenue and number of employees. The base salary is annually adjusted to the applicable inflation index.

The current base salary level of the Board of Management is for the CEO € 276,537.00 and the CTO € 146,781.00 (exclusive holiday allowance).

Pension plan

The Board of Management members participate in a pension plan, based on a defined contribution system, which is applicable to all Dutch employees of Holland Colours. Holland Colours contributes up to the maximum pensionable salary (based on Dutch regulation).

Pay for performance

As a reflection of Holland Colours' performance culture, the compensation plans for the Board of Management and other key employees are performance-driven and forward-looking. Variable pay is by definition not guaranteed since pay out depends of achievement of the set targets.

Variable remuneration

The variable incentive is a component of the remuneration package to reward performance in line with the long-term strategic objectives, combined with additional individual non-financial performance goals. 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 year. Both the financial targets and the non-financial targets for a bonus constitute 50% of the maximum possible variable remuneration, with 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 of 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 of Holland Colours. The basis is the monthly gross compensation excluding holiday allowance, with 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 BV, 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 base salary.

The achievement of the financial targets is calculated based on the audited financial results of that relevant financial year evaluated and assessed by the RemCo. The achievement of the non-financial targets is evaluated and assessed per topic by the RemCo for each individual Board of Management member on behalf of the Supervisory Board.

The remuneration policy has been the subject of consultation with the Management Board and has been adopted by the Supervisory Board.

Claw-back

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

Term of employment and appointment

A member of the Board of Management is appointed for a period of four years on the basis of a management agreement (overeenkomst van opdracht), in line with Dutch labour law. After the initial 4 year period the agreement can be extended for another 4 years upon approval by the General Meeting of Shareholders. In case of early termination a notice period of three months is applicable from a member of the Board of Management perspective and six months when the company terminates.

Severance arrangement

Members of the Board of Management have a change-of-control arrangement and which 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.

Loans

Holland Colours does not provide any loans, guarantees or advance payments to a member of the Board of Management

Amendments to the Policy

The Policy and actual remuneration to individual members of the Board of Management are set by the Supervisory Board, based on proposals of the RemCo. Subject to the approval of the General Meeting of Shareholders, the Supervisory Board is authorised to amend the Policy. If the Policy will not be amended during a period of four years from the last amendment, the General Meeting will be requested for re-confirmation of approval. The Supervisory Board considers the design of this.

Policy is in line with the company's purpose, business strategy and business environment, applicable laws and regulations, as well as the views of its stakeholders and society at large

Scenario analyses

The Supervisory Board and the RemCo 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 variable remuneration of the Board of Management. The RemCo 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.