

DRIVE INNOVATION • DELIVER EXCELLENCE >



GROWTH THROUGH INNOVATION

ANNUAL REPORT 2021

REMUNERATION REPORT



REMUNERATION REPORT

This report is based on the remuneration policy of ASM International N.V. (ASMI), as presented to and adopted by the 2020 Annual General Meeting of Shareholders (AGM).

INTRODUCTION

The remuneration report complies with the best practice provisions of the Dutch Corporate Governance Code. It is aligned with the new Dutch legal requirements following the implementation of the EU Shareholders' Right Directive II. ASMI's remuneration policy 2020-2023 was adopted by the AGM on May 18, 2020. It was consistently implemented in 2020 with regard to all remuneration elements and applied throughout 2021.

The 2021 remuneration report refers to ASMI's remuneration policy, which can be found here.

SHORT-TERM INCENTIVES (CASH BONUS)

Each year, a short-term incentive can be earned based on achieving specific challenging targets. These targets are based for 75% on company financial targets and 25% on non-financial targets (of which half related to ESG in 2021). The on-target bonus percentage for the CEO is 100% of the annual base salary, with a maximum payout of 150% of the annual base salary. The on-target bonus percentage for the CFO is 75% of the annual base salary, with a maximum payout of 125% of the annual base salary.

LONG-TERM INCENTIVES (PERFORMANCE SHARES)

Members of the Management Board are eligible to receive performance shares under the ASMI N.V. 2014 long-term incentive plan for members of the Management Board and ASMI's remuneration policy to focus on the long-term interest of the company. Performance shares vest after three years, subject to meeting predetermined financial indicators and continued services. The members of the Management Board are required to hold the vested performance shares for an additional two years. However, they are allowed to sell a part of the unconditional shares after three years for tax purposes. Performance shares will next be granted in April 2022.

The Supervisory Board will determine the number of performance shares granted for on-target performance. When doing so, the board will consider two predetermined financial indicators (each with respectively 50% weight): revenue growth compared to market and average EBIT percentage measured over a three-year performance period. ASMI applies a face-value approach to define the number of shares to be granted, which is calculated as follows: target level (calculated based on annual base salary) divided by the average share price of ASMI on the Euronext Amsterdam on the award date and the following four consecutive days. The award date is immediately following the date of the announcement of the first quarter financial results in April for the year the award takes place.

The target level of the long-term incentive is set at 165% of the annual base salary for the CEO and 125% for the CFO. The maximum number of shares granted in case of out-performance of the predetermined performance indicators is 150% of the number at on-target performance. The number of shares granted will be zero if none of the targets are met.

To show a longer-term commitment to ASMI and align with shareholder interests, the CEO and CFO are required to hold the vested performance shares for two years ('holding period') after the vesting date.

For 2021, the Supervisory Board awarded the following amounts:

- ▶ The previous CFO, Mr. van Bommel, decided to step down as of May 17, 2021, and therefore no value was awarded in 2021; and
- ▶ The Supervisory Board decided to award the following on-target value to Mr. Loh, CEO: €1,070,685 (4,184 shares), and Mr. Verhagen, the newly appointed CFO: €650,000 (2,159 shares), based on the 2020 remuneration policy.

Outstanding performance shares

The following table shows the outstanding performance shares granted to members of the Management Board up till and including 2021 and held by members of the Management Board as at December 31, 2021:

	Grant date	Status	Number of shares at grant date	Performance adjustment	Vested in 2021	Outstanding December 31, 2021	Fair value at grant date	Vesting date	End of holding period
G.L. Loh ¹⁾	July 29, 2020	Conditional	8,087	–	–	8,087	€123.31	July 29, 2023	July 29, 2025
G.L. Loh ¹⁾	April 21, 2021	Conditional	4,184	–	–	4,184	€245.40	April 21, 2024	April 21, 2026
P.A.H. Verhagen ²⁾	July 28, 2021	Conditional	2,159	–	–	2,159	€291.97	July 28, 2024	July 28, 2026
P.A.M. van Bommel ³⁾	April 20, 2018	Unconditional	9,008	4,504	(13,512)	–	€45.71	April 20, 2021	May 17, 2021
P.A.M. van Bommel ³⁾	April 25, 2019	Unconditional	7,343	–	(7,343)	–	€57.84	April 25, 2022	May 17, 2021
P.A.M. van Bommel ³⁾	April 22, 2020	Unconditional	5,559	–	(5,559)	–	€100.09	April 22, 2023	May 17, 2021
Total			36,340	4,504	(26,414)	14,430			

¹⁾ New CEO since May 18, 2020.

²⁾ New CFO since June 1, 2021.

³⁾ Former CFO till May 17, 2021. Holding obligation lapsed as of retirement.

In 2021, all outstanding conditional shares that were granted to the previous CFO in 2019, respectively 2020, vested at grant level on his retirement date (7,343 and respectively 5,559 shares).

The shares will become unconditional after three years, depending on whether predetermined targets are achieved or not. The financial targets to be achieved are measured over a three-year performance period and relate to revenue growth compared to the market and an average EBIT percentage performance measure. The members of the Management Board will hold the unconditional shares for at least two years. However, they are allowed to sell a part of the unconditional shares at the vesting date for tax purposes.

PENSION ARRANGEMENT

The members of the Management Board are given the opportunity to participate in a defined contribution plan for their salary up to €112,189. For salary above €112,189, the members of the Management Board are compensated with an amount equal to the employer pension contribution. The members of the Management Board have the option to participate in a net pension plan offered by the company or to have the compensation paid out in cash.

TOTAL REMUNERATION OF MANAGEMENT BOARD

The following table provides an overview of the 2021 remuneration elements in € thousands for both the CEO and CFO, as recognized by the company. A new CFO was announced and appointment approved by the AGM on May 17, 2021.

NAME OF DIRECTOR, POSITION	1				2				3		4		5		6	
	Fixed remuneration (K€)				Variable remuneration (K€)				Other ⁵⁾ (K€)		Pension expense (K€)		Total remuneration (K€)		Proportion of fixed and variable remuneration	
	Base salary		Fringe benefits		Short-term cash incentive (STI)		Share-based payment expenses ⁴⁾									
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
G.L. Loh	393	649	36	58	448	898	141	570	-	-	69	109	1,087	2,284	85%	56%
P.A.H. Verhagen ¹⁾	-	303	-	25	-	594	-	165	-	-	-	41	-	1,128	-%	49%
C.D. del Prado ²⁾	267	-	28	-	293	-	1,158	-	2,400	-	52	-	4,198	-	24%	-%
P.A.M. van Bommel ³⁾	454	171	39	16	452	142	505	656	-	-	95	40	1,545	1,025	61%	28%
Total	1,114	1,123	103	99	1,193	1,634	1,804	1,391	2,400	-	216	190	6,830	4,437		

¹⁾ New CFO since June 1, 2021.

²⁾ Former CEO till May 18, 2020.

³⁾ Former CFO till May 17, 2021.

⁴⁾ These amounts represent the vesting expenses related to the financial year.

⁵⁾ Represents an additional payroll tax payable by the company due to vesting of granted shares in previous years related to the retirement of a member of the Management Board subject to article 32bb of the Dutch Wage Tax Act.

1. Fixed remuneration

Base salary. This is the fixed annual gross base salary. A salary increase of 3% has been implemented as of January 1, 2021, in line with the market movement in the Netherlands.

Fringe benefits. This represents the value of benefits and perquisites awarded, such as a company car, a representation and expense allowance, the premium for health and disability insurance, and social security contributions.

2. Variable remuneration

Short-term incentive (STI). Each year, a short-term incentive can be earned based on achieving specific challenging targets. The short-term incentive recognizes three levels: threshold, on-target, and stretch. Threshold levels for both the CEO and CFO are set at 70% of the on-target level, while stretch targets are set at 140% of the on-target level. If the actual realization is between threshold and on-target or between on-target and stretch, the payout will be based on the relative deviation against these levels. The targets are 75% based on company financial targets (equally divided between revenue, EBIT, and free cash flow) and 25% based on non-financial targets (of which half related to ESG in 2021).

For 2021, both the CEO and CFO realized overall an over-achievement on STI (mix of above target/stretch realization on company financial targets and above target realization on non-financial targets).

Share-based payment or long-term incentives. This is a multi-year variable payment of which the value is the value of a performance share award that has become unconditional after a performance period of three years. The unconditional award is the result of targets on revenue growth compared to market and average EBIT.

3. Other items

Non-recurring items, which in 2020 represented an additional payroll tax to the company due to the vesting of shares granted in previous years, related to the retirement of a former member of the Management Board subject to article 32bb of the Dutch Wage Tax Act.

4. Pension

As of 2015, members of the Management Board no longer participate in the industry-wide pension fund. They have opted to participate in a defined contribution plan for their salary up to €112,189. ASMI reimburses an amount equal to the employer pension contribution for their salary above €112,189. The CEO and CFO can opt either to participate in a net pension plan offered by the company or to have the cost for participating paid out directly. The pension contributions vary from 7.2% to 28.4% of the pensionable salary, depending on age. The members of the Management Board contribute 4.6% of their pensionable salary, and ASMI pays the remaining part. There are no arrangements regarding early retirement.

5. Total remuneration

Value equals sum of 1, 2, 3, and 4 as described above.

6. Proportion of fixed and variable remuneration

The relative proportion of fixed remuneration: By dividing the sum of fixed components: column 1 and the fixed part of pension expense presented in column 4 by the amount of total remuneration (column 5), multiplied by 100%.

Relative proportion of variable remuneration: By dividing the sum of the variable components (columns 2, 3 and the variable part of the pension expense in column 4, if any) by the amount of total remuneration (column 5), multiplied by 100%.

MANAGEMENT SERVICE AGREEMENTS

The CEO and CFO have a management service agreement with ASMI or one of its related subsidiaries, in accordance with Dutch law, for four years:

- › Mr. Loh started on May 18, 2020, and was appointed for a four-year term based on a management service agreement; and
- › Mr. Verhagen started on June 1, 2021, and was appointed for a four-year term based on a management service agreement.

For future new appointments to the Management Board, the term of the appointment will also be set at four years.

As mentioned in the management service agreements of the members of the Management Board, in the case of termination of the contract on behalf of the company, the members of the Management Board are eligible for a severance payment of a maximum one-year annual gross base salary.

CLAW BACK AND ULTIMUM REMEDIUM

In exceptional circumstances, the Supervisory Board will have the discretionary authority to recover any paid bonus and awarded shares if evidence shows payments and awards have been awarded based on incorrect financial or other data (claw back).

If a variable component conditionally awarded in a previous financial year would, in the opinion of the Supervisory Board, produce an unfair result due to extraordinary circumstances during the period in which the predetermined indicators have been or should have been achieved, the Supervisory Board has the authority to adjust the value of bonus and shares downwards or upwards (ultimum remedium).

The NSR Committee concluded for 2021 that no circumstances have been identified that result in any adjustments or claw back of variable remuneration.

COMPLIANCE TO REMUNERATION POLICY AND LONG-TERM PERFORMANCE

The Supervisory Board reviewed the remuneration policy in 2020. This reviewed policy was presented to and approved by the AGM on May 18, 2020, and became applicable in 2020. The Supervisory Board review included an analysis of different scenarios.

The purpose of the remuneration policy for the members of the Management Board of ASMI is to provide compensation that:

- › Motivates and rewards executives in both the Management Board and Supervisory Board with a balanced and competitive remuneration, in line with their role and responsibilities;
- › Allows ASMI to attract, reward, and retain highly qualified executives with the required background, skills, and experience to implement ASMI's strategy in a highly competitive global industry;
- › Ensures that short-term operational results and long-term sustainable value creation are balanced; and
- › Is transparent, fair and reasonable, and aligns with the interests of ASMI, shareholders, and other stakeholders in the medium- and long-term to deliver sustainable performance in line with ASMI's strategy, purpose, and values.

COMPARATIVE INFORMATION ON THE CHANGE OF REMUNERATION AND COMPANY PERFORMANCE

The figures presented are indexed compared to the previous financial year.

Annual change	2017/2016	2018/2017	2019/2018	2020/2019	2021/2020	Information regarding 2021
Management Board remuneration						
G.L. Loh, CEO (as of May 18, 2020)	–%	–%	–%	–%	210%	
P.A.H. Verhagen, CFO (as of June 1, 2021)	–%	–%	–%	–%	–%	
P.A.M. van Bommel, CFO (until May 17, 2021)	107%	101%	123%	101%	66%	Former CFO retired May 17, 2021
C.D. del Prado, CEO (until May 18, 2020)	112%	105%	124%	64%	–%	Former CEO retired May 18, 2020
Company performance						
Revenue	123%	111%	157%	103%	130%	
EBIT	133%	119%	171%	142%	150%	
Free cash flow*	125%	80%	418%	48%	222%	
Qualitative/non-financial strategic objectives/targets	113%	103%	128%	88%	98%	
Average remuneration of employees (K€)						
	2017	2018	2019	2020	2021	
Average remuneration of employees	78	75	85	88	87	
CEO pay ratio	25	27	31	27	29	

* Comparative information is calculated based on the revised free cash flow definition as applied in the 2021 Annual Report.

The ratio of the CEO's remuneration and the average remuneration of all other employees (the pay ratio) is calculated by dividing the CEO's remuneration by the average remuneration of all employees. The CEO's remuneration is the total annualized base salary and bonus of the CEO as well as share-based payment (extrapolated to a full year LTI value based upon three consecutive yearly grants with each a 36-month vesting period). The average remuneration of all employees is calculated by dividing the total personnel costs (wages, salaries, and share-based payments), minus the CEO's remuneration, by the total number of employees (minus CEO). The pay ratio is in line with the anticipated internal development of pay levels.

The 2021 ASMI remuneration report considers the draft guidelines to specify the standardized presentation of the remuneration report as stated in Directive 2007/36EC of the European Parliament, and amended by Directive (EU) 2017/828, Article 9b (6).

This report is the remuneration report required in accordance with article 2:135b of the Dutch Civil Code and the Dutch Corporate Governance Code.

REMUNERATION OF THE SUPERVISORY BOARD

The 2021 remuneration report refers to the remuneration policy of ASMI, which can be found here.

The following table presents information on all remuneration (base compensation, no bonuses, long-term incentives or pensions were paid) from the company (including its subsidiaries) for services in all capacities to all current and former members of the Supervisory Board:

	Year ended December 31,					
	Annual fee		Committee fee		Total remuneration	
	2020	2021	2020	2021	2020	2021
Supervisory Board:						
J.C. Lobbezoo ³⁾	70.0	26.5	13.5	5.1	83.5	31.6
M.C.J. van Pernis	50.0	62.4	8.5	6.9	58.5	69.3
U.H.R. Schumacher ¹⁾	19.1	–	2.3	–	21.4	–
S. Kahle-Galonske	50.0	50.0	10.0	10.0	60.0	60.0
M.J.C. de Jong	50.0	50.0	7.5	11.2	57.5	61.2
D.R. Lamouche ²⁾	31.0	50.0	3.7	7.6	34.7	57.6
M. de Virgiliis ²⁾	31.0	50.0	4.7	7.5	35.7	57.5
P.F.M. van der Meer Mohr ⁴⁾	–	12.8	–	–	–	12.8
A.T. Sanchez ⁴⁾	–	12.8	–	–	–	12.8
TOTAL	301.1	314.5	50.2	48.3	351.3	362.8

¹⁾ Period to May 18, 2020.

²⁾ Period as of May 18, 2020.

³⁾ Period to May 17, 2021.

⁴⁾ Period as of September 29, 2021.

Annual change	2017/2016	2018/2017	2019/2018	2020/2019	2021/2020	Information regarding 2021
Supervisory Board remuneration						
H.W. Kreutzer	100%	41%	–%	–%	–%	
J.C. Lobbezoo	100%	112%	106%	100%	38%	
M.C.J. van Pernis	100%	107%	104%	100%	119%	
U.H.R. Schumacher	100%	107%	105%	38%	–%	
S. Kahle-Galonske	–%	183%	107%	100%	100%	
M.J.C. de Jong	–%	–%	169%	100%	106%	
D.R. Lamouche	–%	–%	–%	–%	166%	
M. de Virgiliis	–%	–%	–%	–%	161%	
P.F.M. van der Meer Mohr	–%	–%	–%	–%	–%	
A.T. Sanchez	–%	–%	–%	–%	–%	

Any recommended changes to the remuneration of members of the Supervisory Board will be submitted to the AGM for approval.

The remuneration of members of the Supervisory Board was most recently revised during the 2018 AGM. A new benchmark analysis was conducted in the fourth quarter of 2021, which will lead to a proposal to adjust the remuneration of members of the Supervisory Board, subject to approval by the AGM on May 16, 2022.

No variable compensation (bonus or performance shares) nor pension benefits have been granted to members of the Supervisory Board.

DEROGATIONS FROM REMUNERATION POLICY

The Supervisory Board has not derogated or deviated from the remuneration policy other than the sign on arrangement for the new CFO as approved by the AGM on May 17, 2021.

ASMI does not provide any loans, advanced payments, deposits, or related guarantees to the CEO, CFO, or Supervisory Board.