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ANNUAL REPORT 2020
REMUNERATION REPORT

REMUNERATION REPORT

This remuneration 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.

INTRODUCTION

ASM International N.V. (ASMI) is a leading supplier of semiconductor wafer processing equipment and process solutions. Our customers include all the top semiconductor device manufacturers in the world.

ASMI's strategic objective is to realize profitable, sustainable growth by capitalizing on our innovative strength in deposition technologies and our strong relationships with key customers. We act thereby as a responsible citizen.

To realize our strategy, we focus on five key elements: innovative strength, operational excellence, employees, strong balance sheet, and responsible growth.

The remuneration report complies with the requirements of the Corporate Governance Code and is aligned with the new Dutch legal requirements following the implementation of the EU Shareholders' Right Directive II. The remuneration policy 2020-2023 of ASMI was adopted by the Annual General Meeting of Shareholders (AGM) on May 18, 2020, and was consistently implemented in 2020 with regard to all remuneration elements.

The main changes of the Management Board remuneration policy compared to the previous version have been explained during the 2020 AGM meeting and relate to: (1) the peer group change, due to AEX-listed peer companies being reviewed and expanded compared to High Tech and Semicon companies in the US and Europe region (total of 21 peer companies); (2) switch to performance shares as only remaining long-term incentive component (which had been in practice since 2018); and (3) the change of the maximum level of long-term incentive awards, based upon an extensive benchmarking.

The 2020 remuneration report refers to the remuneration policy of ASMI which can be found at: www.asm.com/investors/corporate-governance/supervisory-board/nomination-selection-and-remuneration-committee

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 for 25% on non-financial targets. The on-target bonus percentage for the CEO is 100% of annual base salary, with a maximum pay-out of 150% of annual base salary. The on-target bonus percentage for the CFO is 75% of annual base salary, with a maximum pay-out of 125% of annual base salary.

LONG-TERM INCENTIVES OR SHARE-BASED REMUNERATION

In the past, the members of the Management Board were eligible to receive stock options and performance shares under the ASMI 2014 long-term incentive plan for members of the Management Board to focus on the long-term interest of the company. Stock options vest after three years subject to continued employment and expire after seven years. Performance shares vest after three years subject to meeting certain conditions. 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. Since 2018, no new grants of stock options have taken place. The next grant of restricted shares will take place in April 2021. The revised remuneration policy as approved by the AGM on May 18, 2020 no longer allows for stock option grants moving forward.

The long-term incentive scheme has the following main features.

STOCK OPTIONS

- › Since 2018, stock options are no longer granted;
- › Options granted earlier are unconditional. 100% of the options which have been granted will become exercisable after three years; and
- › The exercise price is equal to the average closing price on Euronext of ASMI shares during the five trading days preceding the granting of the option and including the date of granting.

OUTSTANDING OPTIONS

The following table shows the outstanding options to purchase ASMI common shares held by current/former members of the Management Board, and changes in such holdings during 2020:

	Year of grant	Vesting date	Outstanding January 1, 2020	Granted in 2020	Exercised in 2020 ²⁾	Outstanding December 31, 2020	Exercise price	End date
P.A.M. van Bommel ¹⁾	2015	April 24, 2018	15,910	–	–	15,910	€40.62	April 24, 2022
P.A.M. van Bommel ¹⁾	2016	April 22, 2019	22,833	–	–	22,833	€34.06	April 22, 2023
P.A.M. van Bommel ¹⁾	2017	April 21, 2020	8,937	–	–	8,937	€47.33	April 21, 2024
C.D. del Prado ^{1) 3)}	2013	December 31, 2016	81,680	–	(81,680)	–	€21.79	December 31, 2020
C.D. del Prado ^{1) 3)}	2015	April 24, 2018	30,548	–	–	30,548	€40.62	April 24, 2022
C.D. del Prado ^{1) 3)}	2016	April 22, 2019	45,293	–	–	45,293	€34.06	April 22, 2023
C.D. del Prado ^{1) 3)}	2017	April 21, 2020	18,249	–	–	18,249	€47.33	April 21, 2024
Total			223,450	–	(81,680)	141,770		

¹⁾ Options are granted for a term of seven years and become exercisable after a three-year vesting period.

²⁾ Options of C.D. del Prado were exercised on August 6, 2020 at an average share price of €130.13.

³⁾ Former CEO till May 18, 2020.

PERFORMANCE SHARES

The CEO and CFO are eligible to receive performance shares under the 'ASMI N.V. 2014 long-term incentive plan for members of the Management Board' to focus on the long-term interest of the company.

The number of performance shares granted for on-target performance will be determined after the performance year by the Supervisory Board, and relates to 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. The award date is immediately following the date of announcement of the first quarter financial results in April for the year in which the award takes place.

The target level of the LTI is set at 165% of the annual base salary for the CEO and 125% for the CFO. This change has been adopted in the new remuneration policy, applicable as of 2020 up to 2023. The maximum number of shares that will be 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 in case none of the targets are met.

In order to show 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. At year-end 2020, the three-year performance period of the performance shares granted to the members of the Management Board on April 20, 2018, was completed. Based on the achievement of the performance criteria, the realization percentage is 150%. This leads to the following vesting of the performance shares on April 21, 2021.

	Performance Shares Vested
G.L. Loh	–
P.A.M. van Bommel	13,512

In 2020 all outstanding conditional shares granted to the previous CEO in 2018, respectively 2019, vested at grant level on retirement date (18,843 and respectively 15,582 shares).

For 2020, the Supervisory Board awarded the following amounts:

- › The previous CEO, Mr. del Prado, decided to step down per May 18, 2020, and therefore no value has been awarded in 2020; and
- › The Supervisory Board decided to award the following value to Mr. Loh, current CEO: €1,039,500 and Mr. van Bommel, CFO: €567,996, based on the renewed remuneration policy 2020.

OUTSTANDING PERFORMANCE SHARES

The following table shows the outstanding performance shares granted to members of the Management Board in 2020 and held by members of the Management Board per December 31, 2020:

	Grant date	Status	Number of shares at grant date	Performance adjustment	Vested in 2020	Outstanding December 31, 2020	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
P.A.M. van Bommel	April 21, 2017	Unconditional	6,234	1,790	(8,024)	–	€47.52	April 21, 2020	April 21, 2022
P.A.M. van Bommel	April 20, 2018	Conditional	9,008	–	–	9,008	€45.71	April 20, 2021	April 20, 2023
P.A.M. van Bommel	April 25, 2019	Conditional	7,343	–	–	7,343	€57.84	April 25, 2022	April 25, 2024
P.A.M. van Bommel	April 22, 2020	Conditional	5,559	–	–	5,559	€100.09	April 22, 2023	April 22, 2025
C.D. del Prado ²⁾	April 21, 2017	Unconditional	12,730	3,656	(16,386)	–	€47.52	April 21, 2020	May 18, 2020
C.D. del Prado ²⁾	April 20, 2018	Unconditional	18,843	–	(18,843)	–	€45.71	April 20, 2021	May 18, 2020
C.D. del Prado ²⁾	April 25, 2019	Unconditional	15,582	–	(15,582)	–	€57.84	April 25, 2022	May 18, 2020
Total			83,386	5,446	(58,835)	29,997			

¹⁾ New CEO since May 18, 2020.

²⁾ Former CEO till May 18, 2020. Holding obligation lapsed as of retirement.

The shares will become unconditional after three years, depending on the achievement of predetermined targets. The financial targets to be achieved are measured over a three-year performance period and relate to revenue growth compared to market and an average EBIT percentage performance measure. The Management Board members will hold the unconditional shares for at least an additional two years; however, they are allowed to sell a part of the unconditional shares after three years for tax purposes.

PENSION ARRANGEMENT

As of 2015, the members of the Management Board no longer participate in the industry-wide pension fund. They are offered participation in a defined contribution plan for their salary up to €110,111. For their salary above €110,111, 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 2020 remuneration elements in € thousands of both CEO and CFO as recognized by the company. During the year 2020, a CEO change was announced and approved by the AGM on May 18, 2020.

NAME OF DIRECTOR, POSITION	1		2				3		4		5		6			
	Fixed Remuneration (K€)				Variable Remuneration (K€)				Other ⁴⁾ (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 ³⁾									
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
G.L. Loh ¹⁾	–	393	–	36	–	448	–	141	–	–	–	69	–	1,087	–%	85%
P.A.M. van Bommel	441	454	40	39	551	452	413	505	–	–	91	95	1,536	1,545	59%	61%
C.D. del Prado ²⁾	702	267	77	28	1,053	293	855	1,158	–	2,400	124	52	2,811	4,198	47%	24%
Total	1,143	1,114	117	103	1,604	1,193	1,268	1,804	–	2,400	215	216	4,347	6,830		

¹⁾ New CEO since May 18, 2020, Annualized Base Salary 2020 €630.

²⁾ Former CEO till May 18, 2020, Annualized Base Salary 2020 €702.

³⁾ These amounts represent the vesting expenses related to the financial year.

⁴⁾ 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, 2020, in line with normal market movement in the Netherlands.

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

2. Variable remuneration

Short-term cash 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 upon 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.

The on-target bonus percentage for the CEO is 100% of the annual base salary, with a maximum pay-out of 150% of the annual base salary. For the year 2020, the CEO realized overall an over-achievement on STI (mix of below target, above target and stretch on company financial targets and mix of at target and stretch on non-financial targets).

The on-target bonus percentage for the CFO is 75% of annual base salary, with a maximum pay-out of 125% of annual base salary. For 2020, the CFO realized overall an over-achievement on STI (same outcome as CEO on company financial targets and in addition stretch 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 represents in 2020 an additional payroll tax to the company due to vesting of already 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.

4. Pension expense

As of 2015, members of the Management Board no longer participate in the industry-wide pension fund. They opt to participate in a defined contribution plan for their salary up to €110,111. The company reimburses an amount equal to the employer pension contribution for their salary above €110,111. The CEO and CFO 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 the 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

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%.

EMPLOYMENT CONTRACTS / SERVICE AGREEMENTS

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

- › Mr. C.D. del Prado, started May 18, 2006; in May 2018, Mr. del Prado was reappointed for a new term of 4 years. Mr. del Prado decided to step down per May 18, 2020 and his employment with ASMI ended on May 18, 2020;
- › Mr. G.L. Loh, started May 18, 2020, and was appointed for a term of 4 years based on a service agreement; and
- › Mr. P.A.M. van Bommel, started July 1, 2010; in May 2018, Mr. van Bommel was reappointed for a new term of 4 years. On October 13, 2020, it was announced that Mr. van Bommel informed the company of his intention to step down from his role as of May 17, 2021.

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

As is mentioned in the contracts 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 amount of 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 2020 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 leading to the presentation of the revised policy to the Annual General Meeting of Shareholders on May 18, 2020, which approved the proposal, as applicable as of 2020. An analysis of different scenarios was included in this review.

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 sync with role and responsibilities;
- › Allows ASMI to attract, reward and retain highly qualified executives with the required background, skills and experience to implement the strategy of ASMI 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 the interests of ASMI, shareholders and other stakeholders in the medium- and long-term to deliver sustainable performance in line with the strategy, purpose and values of ASMI.

DEROGATIONS FROM REMUNERATION POLICY

The Supervisory Board has not derogated or deviated from the remuneration policy. ASMI does not provide any loans, advanced payments, deposits or related guarantees to the CEO, CFO or Supervisory Board.

COMPARATIVE INFORMATION ON THE CHANGE OF REMUNERATION AND COMPANY PERFORMANCE

Annual Change	2016/2015	2017/2016	2018/2017	2019/2018	2020/2019	Information regarding 2020
Management Board Remuneration						
G.L. Loh, CEO (as of May 18)	–%	–%	–%	–%	–%	
P.A.M. van Bommel, CFO	89%	107%	101%	123%	101%	
C.D. del Prado, CEO (until May 18)	93%	112%	105%	124%	64%	Former CEO retired May 18, 2020
Company Performance						
Front-end Sales	89%	123%	111%	157%	103%	
Front-end EBIT	79%	133%	119%	171%	142%	
Free Cash flow	8%	463%	125%	488%	53%	
Qualitative/Non-Financial Strategic Objectives/Targets	96%	113%	103%	128%	88%	
Average remuneration on a full-time equivalent basis of employees (K€)						
	2016	2017	2018	2019	2020	
Average remuneration of employees	75	78	75	85	88	Increase % average remuneration: 14% and increase # of employees: 11%
CEO pay ratio	23	25	27	31	27	

The ratio of the CEO remuneration and the average remuneration of all other employees (the pay ratio) is calculated by dividing the remuneration of the CEO by the average remuneration of all employees. The remuneration of the CEO is the total of annualized base salary and bonus of the new CEO as well as share-based payment (extrapolated to regular annual accrual). The average remuneration of all employees is calculated by dividing the total personnel costs (wage and salaries and share-based payments) minus the remuneration of the CEO, by the total number of employees. The pay ratio is in line with anticipated internal development of pay levels.

The 2020 ASMI remuneration report considers the draft guidelines to specify the standardized presentation of the remuneration report as stated in the 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 2020 remuneration report refers to the remuneration policy of ASMI which can be found at: www.asm.com/investors/corporate-governance/supervisory-board/nomination-selection-and-remuneration-committee

The following table sets forth information concerning all remuneration (base compensation, no bonuses 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 of the company:

Any recommended changes to the remuneration of the 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 Annual General Meeting of Shareholders.

No stock options or performance shares have been granted to members of the Supervisory Board.

	Year ended December 31,					
	Annual fee		Committee fee		Total remuneration	
	2019	2020	2019	2020	2019	2020
Supervisory Board:						
J.C. Lobbezoo	70.0	70.0	13.5	13.5	83.5	83.5
M.C.J. van Pernis	50.0	50.0	8.5	8.5	58.5	58.5
U.H.R. Schumacher ¹⁾	50.0	19.1	6.0	2.3	56.0	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	7.5	57.5	57.5
D.R. Lamouche ²⁾	–	31.0	–	3.7	–	34.7
M. de Virgiliis ²⁾	–	31.0	–	4.7	–	35.7
TOTAL	270.0	301.1	45.5	50.2	315.5	351.3

¹⁾ Period to May 18, 2020.

²⁾ Period as of May 18, 2020.

Annual change	2016/2015	2017/2016	2018/2017	2019/2018	2020/2019
Supervisory Board Remuneration					
J.M.R. Danneels	40%	–%	–%	–%	–%
H.W. Kreutzer	100%	100%	41%	–%	–%
J.C. Lobbezoo	100%	100%	112%	106%	100%
M.C.J. van Pernis	100%	100%	107%	104%	100%
U.H.R. Schumacher	100%	100%	107%	105%	38%
S. Kahle-Galonske	–%	–%	183%	107%	100%
M.J.C. de Jong	–%	–%	–%	169%	100%
D.R. Lamouche	–%	–%	–%	–%	–%
M. de Virgiliis	–%	–%	–%	–%	–%