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ASM  
INTERNATIONAL 

ANNUAL REPORT 2019 – REMUNERATION REPORT

# ACCELERATING GROWTH ACROSS MULTIPLE DIMENSIONS



# REMUNERATION REPORT

This remuneration report is based on the remuneration policy of ASM International N.V. (ASMI), dated May 21, 2014. The remuneration policy was adopted by the 2014 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 of 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 three key elements: innovative strength, leadership in deposition and operational excellence.

The year 2019 has been a very successful year for ASMI. In 2019, the total wafer fab equipment market declined 9% (VLSI Research, January 2020), where ASMI showed a sales growth of 57%.

Detailed information regarding the results of 2019 can be found in this Annual Report.

The remuneration report complies with the requirements as included in the Corporate Governance Code (provision 3.4.1). The remuneration policy of ASMI, dated May 21, 2014, and adopted by the 2014 Annual General Meeting of Shareholders (AGM) has been consistently implemented in all remuneration elements in 2019.

The 2019 remuneration report refers to the Remuneration Policy of ASMI, dated May 21, 2014 and adopted by the AGM 2014. See this [link](#).

## TOTAL REMUNERATION OF MANAGEMENT BOARD AND SUPERVISORY BOARD

Table 1 provides an overview of the 2019 remuneration elements in thousands of Euro of both CEO and CFO, as well as all members of the Supervisory Board.

Name of Director, Position	Years	1			2		3	4	5	6
		Fixed Remuneration (K€)			Variable remuneration (K€)					
		Base Salary	Fees	Fringe Benefits	Short-term cash incentive (STI)	Share-based payment expenses )***				
C.D. del Prado, CEO	2019	702		77	1.053	855		123	2.810	47%
	2018	669		78	511	883		119	2.260	62%
P.A.M. van Bommel, CFO	2019	441		40	551	413		91	1.536	59%
	2018	426		37	257	437		89	1.246	80%
J.C. Lobbezo, Chairman Supervisory Board, member Audit Committee (AC) and Nomination, Selection and Remuneration Committee (NSR)	2019		84						84	
	2018		79						79	
M.J. C. de Jong, member Supervisory Board and AC	2019		58						58	
	2018)*		34						34	
S. Kahle-Galonske, member Supervisory Board and Chairman AC	2019		60						60	
	2018		56						56	
M.C.J. van Pernis, member Supervisory Board and Chairman NSR	2019		59						59	
	2018		56						56	
U.H.R. Schumacher, member Supervisory Board and NSR	2019		56						56	
	2018		54						54	
H.W. Kreutzer, member of Supervisory Board and AC	2019		0						0	
	2018)**		21						21	

)\* Period as of May 28, 2018

)\*\* Period January 1 to May 28, 2018

)\*\*\* These amounts represent the vesting expenses (1/3) related to the financial year

### 1. Fixed remuneration

**Base Salary** fixed annual gross base salary

**Fees paid** due to participation in the supervisory board

**Fringe Benefits** value of benefits and perquisites awarded, such as company car, social security, representation & expense allowance and health & disability insurance

### 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 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, payout will be based upon the relative deviation against these levels. The targets are for 75% based on company financial targets (equally divided between sales, EBIT and free cash flow) and for 25% based on non-financial targets. The on-target bonus percentage for the CEO is 100% of base salary, with a maximum payout of 150% of base salary. For 2019, all targets are realized at stretch level, leading to a total payout of €1,053,000. The on-target bonus percentage for the CFO is 75% of base salary, with a maximum payout of 125% of base salary. For 2019, all targets are realized at stretch, leading to a total payout of €551,000.

**Share-based payment.** 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 sales growth compared to market and average EBIT.

### 3. Extraordinary items

Non-recurring remuneration, e.g. sign-on fee, retention bonus, redundancy payment, compensation for relocation and indemnity for non-competition or severance payment

### 4. Pension expense

Fixed pension contributions and variable upon performance. As of 2015, the 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 €107,593. The Company reimburses an amount, equal to the employer pension contribution for their salary above €107,593. 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 equal sum of 1, 2, 3 and 4

### 6. Proportion of fixed and variable remuneration

#### Relative proportion of fixed remuneration

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

The sum of the variable components (column 2, 3 and the variable part of the pension expense in column 4, if any) by the amount of total remuneration, multiplied by 100%

## EMPLOYMENT CONTRACTS

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

- › Mr. C.D. del Prado, started May 18, 2006; in May 2018 Mr. del Prado was reappointed for a new term of 4 years; 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.

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

Any recommended changes to the remuneration of the members of the Supervisory Board will be submitted to the AGM for approval. Shareholders in the AGM 2018 approved the remuneration of the Supervisory Board.

## SHARE-BASED REMUNERATION OF MANAGEMENT BOARD

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

### STOCK OPTIONS

- › Options will be unconditional. 100% of the options which have been granted will become exercisable after three years;
- › the options have a term of seven years;
- › the exercise price will be 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; and
- › ASMI uses a fair-value approach to calculate the number of options granted.

Table 2 below shows the outstanding options to purchase ASMI common shares held by the CEO and CFO and changes in such holdings during 2019.

Name of Director, Position	The main conditions of share option plans							Information regarding 2019						
	1	2	3	4	5	6	7	Opening balance	During the year		Closing balance			
	Specification of plan	Performance period	Award Date	Vesting Date	End of holding period	Exercise period	Share price of the share	8	9	10	11	12	13	14
C.D. del Prado, CEO	ASMI NV	3 years	31-12-12	31-12-15	31-12-19	4 years	21,05	77.062	0	0	0	(77.062)	0	0
	2011 Stock	3 years	31-12-13	31-12-16	31-12-20	4 years	21,79	81.680	0	0	0	0	0	0
	Option Plan	3 years	24-04-15	24-04-18	24-04-22	4 years	40,62	30.548	0	0	0	0	0	0
	Management	3 years	22-04-16	22-04-19	22-04-23	4 years	34,06	45.293	0	45.293	0	0	0	0
	Board	3 years	21-04-17	21-04-20	21-04-24	4 years	47,33	18.249	0	0	0	0	18.249	0
							<b>252.832</b>	<b>0</b>	<b>45.293</b>	<b>0</b>	<b>(77.062)</b>	<b>18.249</b>	<b>0</b>	
P.A.M. van Bommel, CFO	ASMI NV	3 years	31-12-12	31-12-15	31-12-19	4 years	21,05	51.375	0	0	0	(51.375)	0	0
	2011 Stock	3 years	31-12-13	31-12-16	31-12-20	4 years	21,79	57.721	0	0	0	(57.721)	0	0
	Option Plan	3 years	24-04-15	24-04-18	24-04-22	4 years	40,62	15.910	0	0	0	0	0	0
	Management	3 years	22-04-16	22-04-19	22-04-23	4 years	34,06	22.833	0	22.833	0	0	0	0
	Board	3 years	21-04-17	21-04-20	21-04-24	4 years	47,33	8.937	0	0	0	0	8.937	0
							<b>156.776</b>	<b>0</b>	<b>22.833</b>	<b>0</b>	<b>(109.096)</b>	<b>8.937</b>	<b>0</b>	

The CEO exercised 77,062 options on October 31, 2019 at a share price of €91.68

The CFO exercised 109,096 options on October 31, 2019 at a share price of €92.74

The total number of exercised options by the Management Board in 2019 to purchase ASMI common shares is 186,158 and an equal number of treasury shares sold for the exercise of these options.

## PERFORMANCE SHARES

The number of performance shares granted for on target performance will be determined after the performance year by the Supervisory Board and relates to a sales growth compared to market and average EBIT percentage measured over a three-year performance period. ASMI applies a fair value approach in order 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 133% of base salary for the CEO and at 100% for the other MB members. The maximum number of shares that will be granted in case of outperformance of the

predetermined performance indicators is 150% of the number on target performance. The number of shares granted will be zero in case none of the targets is met.

In order to show commitment to ASMI and align with shareholder interest, the CEO and CFO are required to hold the vested performance shares for two years ('Holding Period') after the vesting date.

In 2019, the three-year performance period of the performance shares granted to the members of the Management Board on April 21, 2017, has been completed. Based on the achievement of the performance criteria, the realization percentage is 128.7%. This leads to the following vesting of the performance shares on April 21, 2020.

	Performance Shares Granted	Performance Shares Vested
Chuck del Prado	12,730	16,386
Peter A.M. van Bommel	6,234	8,024

Table 3 below shows the outstanding performance shares granted to the CEO and CFO and held per December 31, 2019.

Name of Director, Position	The main conditions of share award plans						Information regarding 2019						
	1	2	3	Fair value at Award Date	4	5	Opening balance	During the year			Closing balance		
	Specification of plan	Performance period	Award Date		Vesting Date	End of holding period	6	7	8	9	10	11	12
						Share options awarded at the beginning of the year	Shares awarded	Performance adjustment	Shares vested	Shares subject to a performance condition	Shares awarded and unvested at year end	Shares subject to a holding period	
<b>C.D. del Prado,</b> CEO	ASMI NV 2014	3 years	22-04-16	31,84	22-04-19	22-04-21	12.056	0	(4.304)	(7.752)	0	0	0
	Long Term	3 years	21-04-17	47,52	21-04-20	21-04-22	12.730	0		0	12.730	12.730	12.730
	Incentive Plan	3 years	20-04-18	45,71	20-04-21	20-04-23	18.843	0		0	18.843	18.843	18.843
	Management	3 years	25-04-19	57,84	25-04-22	25-04-24	0	15.582		0	15.582	15.582	15.582
	Board												
							<b>43.629</b>	<b>15.582</b>	<b>(4.304)</b>	<b>(7.752)</b>	<b>47.155</b>	<b>47.155</b>	<b>47.155</b>
<b>P.A.M. van Bommel,</b> CFO	ASMI NV 2014	3 years	22-04-16	31,84	22-04-19	22-04-21	6.078	0	(2.170)	(3.908)	0	0	0
	Long Term	3 years	21-04-17	47,52	21-04-20	21-04-22	6.234	0		0	6.234	6.234	6.234
	Incentive Plan	3 years	20-04-18	45,71	20-04-21	20-04-23	9.008	0		0	9.008	9.008	9.008
	Management	3 years	25-04-19	57,84	25-04-22	25-04-24	0	7.343		0	7.343	7.343	7.343
	Board												
							<b>21.320</b>	<b>7.343</b>	<b>(2.170)</b>	<b>(3.908)</b>	<b>22.585</b>	<b>22.585</b>	<b>22.585</b>

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' in order to focus on the long-term interest of the Company.

For 2020, the Supervisory Board awarded the following amounts:

- › The current CEO, Mr. del Prado, decided to step down per May 2020 and therefore no value has been awarded.
- › The Supervisory Board decided to award the following value to Mr. van Bommel: €567,996, based on the renewed Remuneration Policy 2020 - 2023.

## 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 2019 that no circumstances have been identified that result in any adjustments or claw back of variable remuneration.

## COMPLIANCY TO REMUNERATION POLICY AND LONG-TERM PERFORMANCE

The Supervisory Board reviewed the remuneration policy in 2014. The policy is in 2019 applicable to members of the Management Board of ASMI.

An analysis of different scenarios was included in this review.

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

- › Motivates and rewards executives in both 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.

Remuneration peer group: NXP Semiconductor N.V. acquired Freescale Semiconductor Ltd. The latest therefore is no longer part of the remuneration peer-group for future reviews.

ASMI does not provide any loans, deposits or related guarantees to the CEO or other Members of the Management Board or Supervisory Board.

## COMPARATIVE INFORMATION ON THE CHANGE OF REMUNERATION AND COMPANY PERFORMANCE

Table 4 Comparative table over the remuneration and company performance over the last five reported financial years (RFY)

Annual Change	2015/2014	2016/2015	2017/2016	2018/2017	2019/2018	Information regarding 2019
<b>Management Board Remuneration</b>						
C.D. del Prado, CEO	98%	93%	112%	105%	124%	The increase 2019/2018 is the result of performance on all targets above stretch
P.A.M. van Bommel, CFO	90%	89%	107%	101%	123%	The increase 2019/2018 is the result of performance on all targets above stretch
<b>Company Performance</b>						
Front-end Sales	123%	89%	123%	111%	157%	
Front-end EBIT	119%	79%	133%	119%	171%	
Free Cash flow	119%	8%	463%	125%	488%	
Qualitative/Non-Financial Strategic Objectives/Targets	98%	96%	113%	103%	128%	
<b>Average remuneration on a full-time equivalent basis of employees (K€)</b>						
	2015	2016	2017	2018	2019	
Average remuneration of employees	76	75	78	76	85	Increase % average remuneration: 121% and increase # of employees: 107%
CEO Pay ratio	25	23	25	27	31	

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 base salary, bonus and share based payments, as published in Note 25 to the consolidated financial statements of this report. The average remuneration of all employees is calculated by dividing the total personnel costs (wage and salaries and share based payments) as published in Note 23 to the consolidated financial statements minus the remuneration of the CEO, by the total number of employees.

The increase of the CEO pay ratio from 27 to 31 in 2019 is caused by the following:

- › the higher relative weight of the variable remuneration for the CEO than for the average employee; and
- › the realization at stretch level for the STI in 2019.

The 2019 ASMI remuneration report follows the 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, in particular 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.