

## **2011 Report of the Royal Ten Cate Supervisory Board Remuneration Committee**

The remuneration policy applied to executive directors of Royal Ten Cate is set out below.

### **Principles of the remuneration policy**

The Supervisory Board of Royal Ten Cate applies a remuneration policy for the management of the company based on the following principles:

The remuneration of the Executive Board must enable the company to attract and retain senior managers;

- The remuneration policy must accord with the company's corporate governance policy;
- The remuneration must reflect the strategic and financial objectives and be to a large extent performance-based, maintaining a balance between short- and long-term results and objectives, and
- The remuneration must not include incentives giving rise to conduct which promotes individual interests in conflict with those of the company;
- The remuneration policy includes an annual scenario analysis of possible outcomes of the remuneration policy.

### **The Corporate Governance Code**

Royal Ten Cate endorses the principles stated in the Corporate Governance Code ("the Code") with regard to the remuneration of executive directors. This applies particularly to the recommendations concerning variable pay, options and shares. Royal Ten Cate also endorses the recommendations on the Supervisory Board's responsibilities for remuneration and the role of the Remuneration Committee. Royal Ten Cate endorses the principle of maximum remuneration equivalent to one times annual salary (the 'fixed' part of the remuneration) in the event of involuntary termination. Royal Ten Cate wishes to have the ability to depart from the Code on reasoned grounds, should particular circumstances so require. Contracts already in existence with executive directors when the Code is applied are respected.

### **New remuneration policy**

The policy is aimed at assessing remuneration against competitive levels in the relevant remuneration market. A periodic analysis is made of the possible outcomes of the remuneration policy and the policy may be recalibrated, with professional support from an external party if required.

In 2011 a detailed analysis was carried out jointly with external specialists with the aim of bringing the current remuneration policy for the Executive Board more into line with the remuneration market for companies of a similar type and size. In the view of the Supervisory Board, this would take proper account of the quality of the performance rendered.

The following factors have been considered:

1. Adjustment of the remuneration benchmark in line with that of companies having similar ratios of revenues and market value (composition of a peer group).
2. The peer group scope extends to all relevant components of the remuneration policy.
3. Short-term variable income.
4. Long-term variable income.

The conclusions and recommendations of this study are as follows:

1. Adjustments are required to the total remuneration and the mix of remuneration components.
2. The total direct compensation for the post of CEO is around the median level for the peer group. The fixed income of the CEO is positioned around the third quartile of this group.
3. The total direct compensation for the post of CFO is below the first quartile level of the peer group. The fixed income of the CFO is between the first quartile and the median level of the peer group.

A new remuneration policy will be drawn up on the basis of the above results, focusing on the following elements:

1. The fixed income of the CEO will be based on the third quartile of the peer group.
2. The fixed income of the CFO will be based on the median level of the peer group.
3. A distinction will be drawn between short- and long-term variable remuneration components.
4. In the case of both short- and long-term remuneration components, a distinction will be drawn between a target level and a maximum level.
5. The long-term remuneration component will comprise a combined option plan and share plan.
6. The performance criteria for both the short- and long-term remuneration components will be a combination of financial and non-financial criteria.

On the proposal of the Remuneration Committee, general principles for the drafting of a new remuneration policy by the Supervisory Board will be presented during the General Meeting of Shareholders in 2012. The specific application of these principles in a new remuneration policy for executive directors of Royal Ten Cate is expected to be included in the agenda for the General Meeting of Shareholders in 2013, for adoption by the General Meeting of Shareholders.

#### **Implementation of the 2011 remuneration policy**

The post of CEO of Ten Cate was based on Hay level 30 in 2011. The variable remuneration component is a maximum of 50% of the fixed annual salary. The current post of CFO of Royal Ten Cate was based on the median of Hay level 26 in 2011. The variable salary component is a maximum of 40% of the fixed salary.

In 2011, the CEO, Mr De Vries, was awarded a 10% increment on his fixed income with effect from 1 April 2011. In 2011, Mr De Vries received a variable salary component in respect of 2010 amounting to 50% of his fixed income. Mr De Vries was granted 60,000 options at an exercise price of €27.38. On 1 February 2011, Mr De Vries was also granted 10,000 shares with a value of €26.00 per share.

The former CFO, Mr Lock, received a €20,000 increment on his fixed income for the period from January to April 2011 inclusive and a variable salary component in respect of 2010 amounting to 39% of his fixed income. He was also granted 40,000 options at an exercise price of €27.38.

The remuneration of the executive directors of Royal Ten Cate in 2011 is in line with the remuneration policy as adopted by the General Meeting of Shareholders of 5 March 2005.

*A schematic overview of the expenses incurred by the company during the financial year for the remuneration of executive directors can be found in the published 2011 annual report.*

#### **Remuneration Committee**

The Remuneration Committee assesses the remuneration of the members of the Executive Board by way of preparation for the Supervisory Board. The members of the Committee are Prof. F.A. van Vught (Chairman), Dr J.C.M. Hovers and Mr P.P.A.I. Deiters. The Committee met on six occasions in 2011.