

## RoodMicrotec N.V. Remuneration Report 2019

### Introduction

This Remuneration Report provides an overview of the application of the Remuneration Policy for and the components of the remuneration of the Board of Management and the Supervisory Board of RoodMicrotec N.V. ('the Company') during the financial year 2019. This Remuneration Report is drafted in accordance with article 2:135b of the Dutch Civil Code and the Dutch Corporate Governance Code.

The Company has successfully attracted and retained executives who are capable of leading and overseeing the Company at all levels and the Remuneration Policy is designed to facilitate this process. The Supervisory Board oversees all remuneration decisions and determines the criteria to measure the performance of the Board of Management whereby considering the roles and responsibilities. For determining the remuneration of the Board of Management, the Supervisory Board is informed about the remuneration of the direct reports to the Board of Management including the Short-Term and Long-Term Incentive Plans applicable which are fully aligned with the performance conditions as operated under the Remuneration Policy.

As we believe that all employees are integral to our success, we are committed to fair and responsible remuneration. We therefore consider remuneration of the members of the Board of Management and the Supervisory Board in the light of the remuneration of all employees, including associated pay ratios. Our Remuneration Policy is designed to reflect our commitment to paying fairly, responsibly and transparently. The Supervisory Board undertakes to engage actively with shareholders in order to address all legitimate and reasonable objections and concerns. We invite our shareholders to engage with us regarding our policy and reporting. In implementing the Remuneration Policy, the Supervisory Board analyses the possible outcomes of its variable remuneration elements and how they may affect the total remuneration of the Board of Management. In this respect, regular scenario analyses are undertaken whereby the development of the underlying share price of the Company's shares is considered. This with due regard for the risks to which variable remuneration may expose the Company. Variable remuneration shall be linked to predetermined, assessable and influenceable targets which are predominantly of a long-term and sustainable nature and linked to the strategy, values, purpose and vision of the Company.

For 2019, the targets comprised of:

Target	Description	% of total
Total income	Total income for the RoodMicrotec Group according to the consolidated financial statements	20%
Net profit (*)	Net profit after taxes for the RoodMicrotec Group according to the consolidated financial statements	20%
Investor communications	Press releases, newsletters and other communications with main investors	20%
Corporate long-term strategy	Development and maintenance of a corporate long-term strategy, in cooperation with the Supervisory Board	20%
Personnel plan	Contingency and development plan - key people, retirements, new functions, succession	20%

(\*) If net profit for the year is negative, no Short-Term Incentive or Long-Term Incentive will be paid out.

The Company aspires to ensure that the Remuneration Policy aligns with all policies and procedures and complies with relevant laws and the Dutch Corporate Governance Code by applying high standards of corporate governance, environmental and ethical practices. Sound corporate governance is a key element of the culture, behavior and management of the Company and is consistent with the core values and purpose. For this purpose, we have defined our Code of Conduct to ensure these high standards in both the workplace and in all of our business dealings. These policies as contained in our Code of Conduct encompass human rights, health and safety, conflict minerals, anti-corruption and anti-bribery, conflict of interest, financial reporting environmental responsibility, insider trading, community initiatives, and includes a whistle-blower procedure. The underlying documentation of our full Code of Conduct is available on our corporate website. In determining the actual remuneration of the Board of Management, the Supervisory Board assesses the actual performance delivered based on its strategy in line with the Code of Conduct and considers the impact of the overall remuneration of the Board of Management on the pay differentials within the Company. When determining remuneration, the Supervisory Board also obtains the views of the members of the Board of Management relating to the level and structure of remuneration.

The Remuneration Policy for the Board of Management has been effective as from 17 May 2018 after the approval by the Annual General Meeting of Shareholders held on that date. During 2019, the Supervisory Board completed the review of the requirements of the EU Shareholders' Rights Directive II. As a result of this review a new Remuneration Policy will be presented for adoption to the Annual General Meeting of Shareholders to be held on 23 July 2020 and continues the existing remuneration policy principles and is updated for the outcomes of the review of the requirements as contained in the Dutch Corporate Governance Code and the new Dutch legal requirements. In addition, the policy is extended with the remuneration principles applicable to the individual compensation of the Supervisory Board members. The new Remuneration Policy will be applicable for a four-year period starting as from 1 January 2020, except in the event of material changes which will be brought to the Annual General Meeting of Shareholders for approval.

### **2019 Financial Results**

In 2019, RoodMicrotec's total income came in 1.5% lower than 2018 at EUR 13.2 million (2018: EUR 13.4 million) with 94% of its total sales in the European countries. The total income was affected by the decline in the semiconductor industry sales. The decrease in total income in RoodMicrotec was less than the 7.3% decline reported by the Semiconductor Industry Association (SIA) for the total industry sales in Europe. The worldwide semiconductor industry declined by 12.1% (2018: +13.7%).

In 2019 the EBITDA was EUR 1.5 million and the EBITDA margin came in at 12% (2018: 10%). Adjusted EBITDA (excluding the impact of the application of IFRS 16, for comparison purposes) was EUR 1.2 million and the adjusted EBITDA margin was 9%. Personnel expenses increased by 4%, average number of employees on a full-time basis rose from 94 to 96 in 2019. The adjusted other operating expenses decreased by 11%. Operational expenses were positively affected by release of a provision for a legal case and release of an accrual for a tax assessment closed in 2019.

The net profit in 2019 was EUR 0.1 million negative, a decrease of EUR 0.2 million versus 2018, primarily affected by increase in raw materials and consumables.

## Remuneration for Board of Management members

The total remuneration package of the members of the Board of Management is established on an annual basis by the Supervisory Board. The remuneration structure for the Board of Management consists of the following elements:

- Fixed compensation - Annual base salary;
- Short-Term Incentive - Annual cash bonus plan;
- Long-Term Incentive - Performance option plan;
- Other benefits.

As there are insufficient comparable listed companies to benchmark with, the above components are regularly compared with a balanced remuneration reference group of comparable roles in the European Semiconductor industry (such as Infineon, STM and NXP), despite the much larger size of the companies in the reference group. As per common practice, the weight of the role (job size) in these companies is evaluated from direct responsibility factors such as annual revenue, total assets under management, the size of the organization (number of employees), the required skills to manage the complexity of the business and the risk factors. For the incentive elements of the package, the factors considered are drawn from the required short-term goals to ensure the achievement of budgets and to keep the Company in good health; for the long-term, to ensure the agreed strategic vision will be achieved and the shareholder interests will be met.

### Application of the Remuneration Policy in 2019

The Remuneration Policy was successfully applied by the Supervisory Board in 2019 without exceptions as set forth below. The remuneration of the Board of Management consists of a basic salary and an annual bonus. The Supervisory Board determines the remuneration annually, within the framework permitted by the Remuneration Policy.

The ratio of the remuneration of the members of the Board of Management compared with the average remuneration of the other employees during 2019 is 2.3:1 (2018: 2.4:1). This ratio consists of the average remuneration of members of the Board of Management recognized by the Company in 2019 of EUR 138,000 (2018: EUR 140,000) as stated in the summary of the remuneration of the members of the Board of Management in relation to the average remuneration of all employees. The annual change in remuneration of the employees is EUR 1,000 based on a different composition of employees and regular salary reviews. This average remuneration of EUR 57,000 (2018: EUR 56,000) is comprised of wages and salaries plus bonuses, options and performance shares of the employees divided by the average number of employees on a full-time basis.

(x EUR 1,000 per FTE, except Net Profit/(Loss))	2019	2018	2017	2016	2015
Board of Management	138	140	120	155	164
Employees	57	56	55	50	51
Net Profit/(Loss)	-73	125	-44	-1,578	-1,505

(change in % compared to previous year)	2019	2018	2017	2016	2015
Board of Management	-1%	16%	-22%	-6%	N/A
Employees	2%	2%	10%	-2%	N/A
Net Profit/(Loss)	-158%	384%	97%	-5%	11%

*Note: N/A means not applicable*

### Fixed compensation – Annual base salary

The annual base salaries for the members of the Board of Management are not subject to any automatic pay rises under a collective labor agreement. The Supervisory Board regularly reviews base salary levels of the members of the Board of Management.

Effective as per 23 May 2019, Mr. A. Ladega was appointed as CFO and statutory director of the Company for a term of four years by the Annual Meeting of Shareholders of the Company held on 23 May 2019 and Mr. R. Pusch retired from his position as COO and statutory director.

### Short-Term Incentive – Annual cash bonus plan

Every year, the Supervisory Board determines a bonus arrangement for the reporting year. The bonus arrangement is contingent upon the realization of a series of pre-determined quantitative performance targets (net profit must be positive for variable remuneration), total income (in the range communicated to the market), investor communication (press releases and investor meetings), corporate long-term strategy and personnel goals), which are set by the Supervisory Board after approval of the budget for the next financial year. The bonuses awarded are recognized during the reporting year, based on the realization of the performance targets during the financial year, and are paid in cash after the financial statements have been adopted by the Annual Meeting of Shareholders.

The maximum Short-Term Incentive opportunity for the Board of Management is set at 30% of annual base salary. The targets are linked to financial objectives and personal goals. The Short-Term Incentive scheme is only effective if the net profit for the year is positive.

Evaluation of the Short-Term Incentive for 2019:

Target	Description	% of total	2019 evaluation
Total income	Total income for the RoodMicrotec Group according to the consolidated financial statements	20%	0
Net profit (*)	Net profit after taxes for the RoodMicrotec Group according to the consolidated financial statements	20%	0
Investor communications	Press releases, newsletters and other communications with main investors	20%	20%
Corporate long-term strategy	Development and maintenance of a corporate long-term strategy, in cooperation with the Supervisory Board	20%	20%
Personnel plan	Contingency and development plan - key people, retirements, new functions, succession	20%	20%

(\*) If net profit for the year is negative, no Short-Term Incentive or Long-Term Incentive will be paid out.

In 2019, no Short-Term Incentive has been rewarded to the Board of Management since the net profit was negative (in accordance with the Remuneration Policy).

### Long-Term Incentive – Performance option plan

The options will be awarded proportional to the percentage achievement of the annual personal objectives agreed at the start of each year. The exercise (strike) price will be the stock market closing price on the last trading day of the previous year with a 20% discount. The options will expire three years after the grant date for the receiver or three years after the date of retirement whichever is earlier. If the receiver should leave the company before retirement the options will expire on the day of termination. The receiver is responsible for the processing costs and taxes for the option conversions. The awards will be granted when the annual results are approved by the shareholders in the following year.

The overview of all outstanding option rights of the members of the Board of Management is as follows:

Related to financial year	Options 31/12/2018	Granted in 2019	Exercised in 2019	Expired	Options 31/12/2019	Exercise price (average)	First date of exercise	Last date of exercise
M. Sallenhag 2018	-	120.000	-		120.000	0,20		5th March 2022
R. Pusch 2018	-	100.000	-	100.000	-	0,20		N/A
A. Ladega 2018	-	60.000	-		60.000	0,20		5th March 2022

In line with Dutch law, the Long-Term Incentive components for the members of the Board of Management are subject to claw back provisions and ultimate remedy clauses. During 2019, no circumstances have been identified by the Supervisory Board that result in any adjustments or claw back relating to option rights granted in previous years.

Evaluation of the Long-Term Incentive for 2019:

Target	Description	% of total	2019 evaluation
Total income	Total income for the RoodMicrotec Group according to the consolidated financial statements	20%	0
Net profit (*)	Net profit after taxes for the RoodMicrotec Group according to the consolidated financial statements	20%	0
Investor communications	Press releases, newsletters and other communications with main investors	20%	20%
Corporate long-term strategy	Development and maintenance of a corporate long-term strategy, in cooperation with the Supervisory Board	20%	20%
Personnel plan	Contingency and development plan - key people, retirements, new functions, succession	20%	20%

(\*) If net profit for the year is negative, no Short-Term Incentive or Long-Term Incentive will be paid out.

In 2019, no Long-Term Incentive has been rewarded to the Board of Management since the net profit was negative (in accordance with the Remuneration Policy).

### Other benefits

Other benefits include monthly expense compensation such as lease car, costs allowance and social security contributions.

### Total remuneration for Board of Management

Remuneration of the Board of Management recognized by the Company for the financial years ended 31 December 2019 and 2018 was as follows:

(x EUR 1,000)	Fixed compensation		Short-Term Incentive		Long-Term Incentive		Other benefits		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Mr. O.M. Sallenhag	132	124	-	2	4	8	7	8	143	142
Mr. A. Ladega <sup>1</sup>	67	N/A	-	N/A	2	N/A	9	N/A	78	N/A
Mr. R. Pusch <sup>2</sup>	50	120	-	2	2	8	3	7	55	137
<b>Total</b>	<b>249</b>	<b>244</b>	<b>-</b>	<b>4</b>	<b>8<sup>3</sup></b>	<b>16</b>	<b>19</b>	<b>15</b>	<b>276</b>	<b>279</b>

<sup>1</sup> from 23 May 2019

<sup>2</sup> until 23 May 2019

<sup>3</sup> recalculation Long-Term Incentive for 2018

The Fixed compensation for Mr. O.M. Sallenhag was 92% of the total remuneration for him (2018: 87%). The Fixed compensation for Mr. A. Ladega was 86% of the total remuneration for him (2018: n.a). The Fixed compensation for Mr. R. Pusch was 91% of the total remuneration for him (2018: 88%).

Considering the net loss for the financial year 2019, neither a Short-Term Incentive nor a Long-Term Incentive has been rewarded to the Board of Management for the financial year 2019.

At the end of 2019, Mr. O.M. Sallenhag holds 365,000 shares and 120,000 options on shares in the capital of the Company.

At the end of 2019, Mr. A. Ladega holds 226,000 shares and 60,000 options on shares in the capital of the Company.

At the end of 2019, no loans, advances or guarantees were outstanding for each of the members of the Board of Management.

## Remuneration for Supervisory Board members

The Remuneration Policy for the Supervisory Board has been effective as from 17 May 2018, after the approval by the Annual General Meeting of Shareholders held on that date. During 2019, the Supervisory Board completed the review of the requirements of the EU Shareholders' Rights Directive II. As a result of this review a new Remuneration Policy will be presented for adoption to the Annual General Meeting of Shareholders to be held on 23 July 2020 and continues the existing remuneration policy principles and is updated for the outcomes of the review of the requirements as contained in the Dutch Corporate Governance Code and the new Dutch legal requirements.

The Supervisory Board members are entitled to a fixed base fee for membership of the Supervisory Board. The compensation is regularly assessed against Dutch market levels. The benchmark is based on AScX companies listed on Euronext Amsterdam by comparing fixed compensation levels at median level. The Supervisory Board will present any proposed changes to the fees or the compensation elements to the AGM for approval.

Remuneration of the Supervisory Board recognized by the Company for the years ended 31 December 2019 and 2018 was as follows:

<b>(x EUR 1,000)</b>	<b>2019</b>	<b>2018</b>
Mr. V.G. Tee	14	13
Mr. M.E.T. Verstraeten <sup>1</sup>	7	N/A
Mr. H.J. Bartelink <sup>2</sup>	4	10
Mr. J.B. Tuik <sup>2</sup>	4	10
<b>Total</b>	<b>29</b>	<b>33</b>

<sup>1</sup> from 23 May 2019

<sup>2</sup> until 23 May 2019

At the end of 2019 and 2018, no loans, advances or guarantees were outstanding for each of the members of the Supervisory Board.

At the end of 2019 and 2018, the members of the Supervisory Board did neither hold any shares in the Company, nor any options, warrants or any other rights on shares in the capital of Company.

All cash remuneration is fixed and the members of the Supervisory Board are not entitled to any performance or equity related compensation and are not entitled to any pension allowance or contribution.

Deventer, the Netherlands, 10 June 2020

The Supervisory Board