

2019 remuneration report

This is the remuneration report for the members of the Board of Directors under the articles of association and the Supervisory Board for the 2019 financial year. It contains information required under Article 2:135b of the Dutch Civil Code and the remuneration report of the Corporate Governance Code. Remuneration is allocated based on the remuneration policy detailed below.

Remuneration policy

The Supervisory Board is responsible for preparing and developing the remuneration policy for the members of the Board of Directors under the articles of association and the Supervisory Board of Nedap N.V. As you were able to read in the report of the Supervisory Board, there is currently not a separate remuneration committee.

The company has a remuneration policy for the Board of Directors under the articles of association that has been adopted by the general meeting of shareholders of 2 April 2015 (the “Board of Directors remuneration policy”). The remuneration policy for the Supervisory Board was adopted at the general meeting of shareholders held on 16 April 2013 (the “Supervisory Board remuneration policy”).

In the 2020 financial year, the Supervisory Board intends to review and, if necessary, revise the current Board of Directors remuneration policy and Supervisory Board remuneration policy (jointly referred to as the “remuneration policy”), so as to ensure that the remuneration policy will continue to be aligned

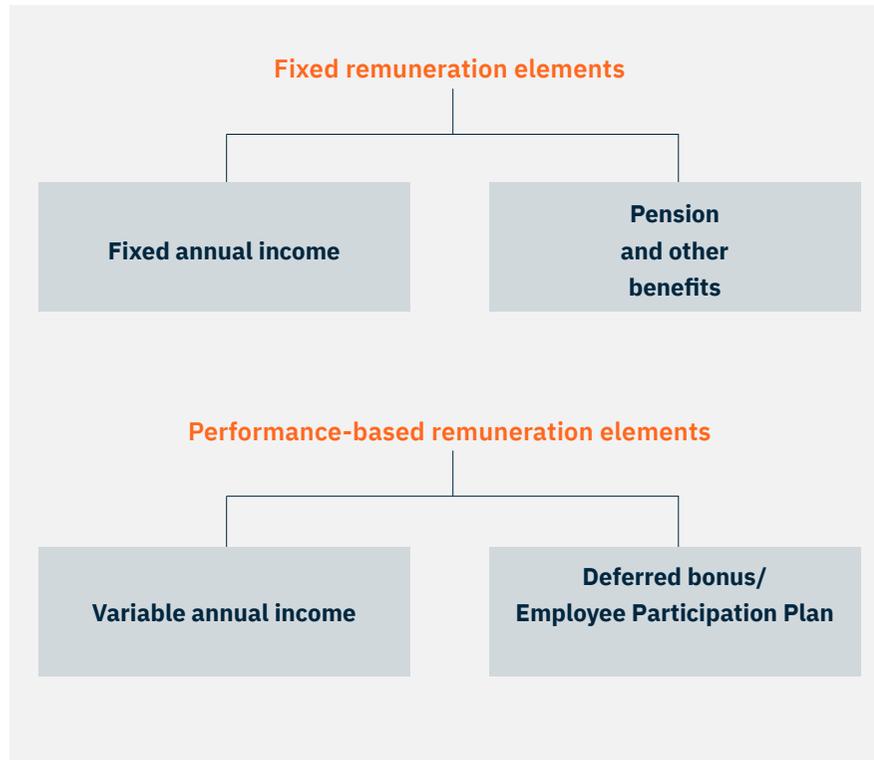
with Nedap’s strategy, long-term value creation and market developments. The remuneration policy will also be amended to bring it into line with Dutch legislation for implementation of the Revised Shareholder Rights Directive. Any changes to the remuneration policy will first be submitted to the works council for advice. Finally, any intended changes to the remuneration policy, along with the works council advice on them, will be submitted to a vote by shareholders at the 2021 general meeting at the latest.

The current remuneration report provides additional information on the remuneration policy in place during the 2019 financial year to ensure maximum transparency for all stakeholders.

Board of Directors remuneration policy

Scope

In general terms, remuneration for the Board of Directors under the articles of association is made up of the remuneration elements shown in the diagram below:



Employee remuneration policy

The Board of Directors remuneration policy follows the same principles as used for employees of Nedap N.V. Employees' annual income depends on job level, experience in the job (seniority), and performance, as well as on customary market pay levels for the job in question (remuneration benchmark data).

Employees are entitled to a profit share under Nedap's Depositary Receipt Participation Plan (the "Plan"). Members of the Board of Directors are awarded depositary receipts for Nedap shares as part of their variable annual income on the same conditions, which are specified below.

In compliance with the law and the Corporate Governance Code, the Supervisory Board takes into account the development of the pay ratio (i.e. how the CEO's pay relates to that of a reference group that represents all employees) in allocating or revising remuneration. The reference group is made up entirely of Nedap employees and does not include members of the Board of Directors under the articles of association.

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In general terms, remuneration for the Board of Directors under the articles of association is made up of the following remuneration elements:

Remuneration elements	Purpose and connection with strategy/long-term interests and sustainability	Method	Maximum opportunity	Performance criteria
Fixed remuneration elements				
Fixed annual income	<p>The fixed annual income is the guaranteed annual income based on the responsibilities of each director under the articles of association.</p> <p>The fixed annual income is what allows Nedap to attract qualified and expert directors and to retain them for realisation of Nedap's strategy and organisational goals.</p>	<p>The fixed annual income is aligned with the individual's responsibilities. The fixed annual income is revised on a regular basis, factoring in the internal pay ratio and market developments in terms of remuneration.</p> <p>Every year, the fixed annual income is increased by the increment for employees under the Nedap collective labour agreement.</p>	The fixed annual income is not subject to a maximum.	Not applicable.
Pension	The pension plan allows directors under the articles of association to purchase a pension upon retirement and is in line with current market conditions with respect to remuneration.	<p>The pensionable salary is the fixed annual income less the statutory deductible, factoring in state pension entitlements.</p> <p>The plan for the Board of Directors under the articles of association largely equals the plan for employees, with a few differences:</p> <ul style="list-style-type: none"> • Slightly higher defined contributions (6/5). • Lower deductible (2019: €13,785). 	<p>In 2015, the Dutch government lowered the pension accrual cap considerably.</p> <p>The maximum pensionable annual income for 2019 is €107,593.</p> <p>All Nedap employees whose income exceeds this threshold will receive a gross payment to the amount of the employer's contribution to the pension plan. This arrangement also applies to the Board of Directors under the articles of association.</p>	Not applicable.

Remuneration elements	Purpose and connection with strategy/long-term interests and sustainability	Method	Maximum opportunity	Performance criteria
Other benefits	A benefits package that is appropriate for the job and responsibilities of the Board of Directors under the articles of association.	The benefits package for members of the Board of Directors under the articles of association is generally equal to that offered to other employees, including benefits such as a company car. These employment terms and conditions are regularly subjected to a market conformity check. Whenever a new plan is introduced for employees, an assessment is made of whether it also applies to the Board of Directors under the articles of association.	The benefits package will be in line with local market standards, while taking into account individual circumstances.	Not applicable.
Performance-based remuneration elements				
Variable annual income	The variable annual income depends on predefined measurable targets, which are assessed by the Supervisory Board. Although these targets can change over time, they will always be aligned with the company's long-term interests, so as to ensure that directors' remuneration stays compliant with the Board of Directors remuneration policy.	The targets are set by the Supervisory Board at the start of the year. Current targets are not disclosed, because they are to be treated as commercially sensitive information. Every year, the Supervisory Board checks the results achieved against the targets set. In calculating the variable annual income, it is assured that the variable pay is an accurate reflection of the current performance of the organisation as a whole. At least half of the net variable annual income must be invested in the Employee Participation Plan, as specified below.	The 'At par'/Target level of the variable annual income is 60% of the fixed annual income. The variable annual income is capped at 90% of the fixed annual income.	Performance criteria are subdivided as follows: <ul style="list-style-type: none"> • 1/3 financial targets; • 1/3 related to development of the internal organisation; • 1/3 focused on how the organisation operates in the external environment. Payouts are subject to penalty and recovery clauses.

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Remuneration elements	Purpose and connection with strategy/long-term interests and sustainability	Method	Maximum opportunity	Performance criteria
Deferred pay/ Employee Participation Plan ("Plan")	Share-based pay is an incentive, recognition and reward for results over a longer period of time focused on organisational developments, sustainability and talent retention, while also increasing the level of commitment of the director under the articles of association in question.	The directors under the articles of association are under an obligation to use at least 50% of their variable annual income to buy depositary receipts for Nedap shares, which must subsequently be held as per the conditions set out in the Plan. One of these conditions is that depositary receipts for Nedap shares are locked up for four consecutive calendar years. As a result, at least 50% of variable annual income is of a long-term nature. The members of the Board of Directors under the articles of association are free to choose to also use the rest of their variable annual income to buy depositary receipts for Nedap shares under the Plan. If they do, they will get a discount of 10% on the price of a Nedap share, while these depositary receipts are also locked up for a period of four consecutive years.	Upon termination of the four-year lock-up period, bonus depositary receipts are awarded at a rate of 1 to 4, putting the maximum opportunity at 125% of the number of depositary receipts purchased.	Not applicable. Payouts are subject to the penalty and recovery clause.

Notes

Selection of performance targets for variable annual income

The variable annual income is set for the members of the Board of Directors under the articles of association jointly or individually and based on criteria set by the Supervisory Board in advance. Performance criteria are subdivided as follows:

- 1/3 financial targets;
- 1/3 related to development of the internal organisation;
- 1/3 focused on how the organisation operates in the external environment.

At the start of the financial year, the Supervisory Board sets targets for allocation of the variable annual income. These targets are not disclosed publicly, because they are considered commercially sensitive information. After termination of the financial year, the directors' report will provide details on whether or not these targets have been achieved.

The Supervisory Board may, entirely at its own discretion, increase or decrease the variable annual income if, in its opinion, the calculations lead to an unreasonable outcome.

Variable annual income is awarded on the condition that directors under the articles of association use at least 50% of their variable annual income, after tax, to buy depositary receipts for Nedap shares (hereinafter referred to as "depositary receipts"). These depositary receipts are administered by Stichting Medewerkerparticipatie Nedap, which has its registered office in Groenlo. Depositary receipts are issued as per the terms and conditions specified in the Nedap N.V. Depositary Receipts Participation Plan.

Penalty and recovery clause

In the event that the variable annual income has been awarded based on incorrect information, the Supervisory Board will in the following cases be entitled to claim income back from a director under the articles of association:

- If there was a material misstatement in the financial results that has led to the variable annual income paid being more than it would have been if the financial results had not included a material misstatement.
- If assessment of achievement of a performance criterion and/or target was based on incorrect, incomplete or misleading information or assumptions, as a result of which the variable annual income paid turned out higher than it would have been if this error had not been made.

Peer group – external labour market

The pay package for members of the Board of Directors is aligned with the internal pay ratio and external market information on remuneration. When comparing pay packages to what is customary in the market, they are compared to those offered by other listed and unlisted companies that sell similar products, operate in the same market, offer similar services, and are roughly the same size as Nedap N.V. The objective behind the total pay package is to make the total remuneration competitive and proportionate with respect to the level and complexity of the responsibilities members of the Board of Directors are asked to take on.

Scenario analyses

The Supervisory Board has used a number of scenarios to analyse possible movements in remuneration, both in terms of level and in terms of composition.

When targets have not been attained, the Supervisory Board has discretionary power to decide whether to pay the variable annual income payable as per the determination or to adjust it.

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The table below depicts the remuneration mix for the Board of Directors under the articles of association. Share price development, dividend payments and/or benefits other than pension contributions are not taken into account in the scenarios.

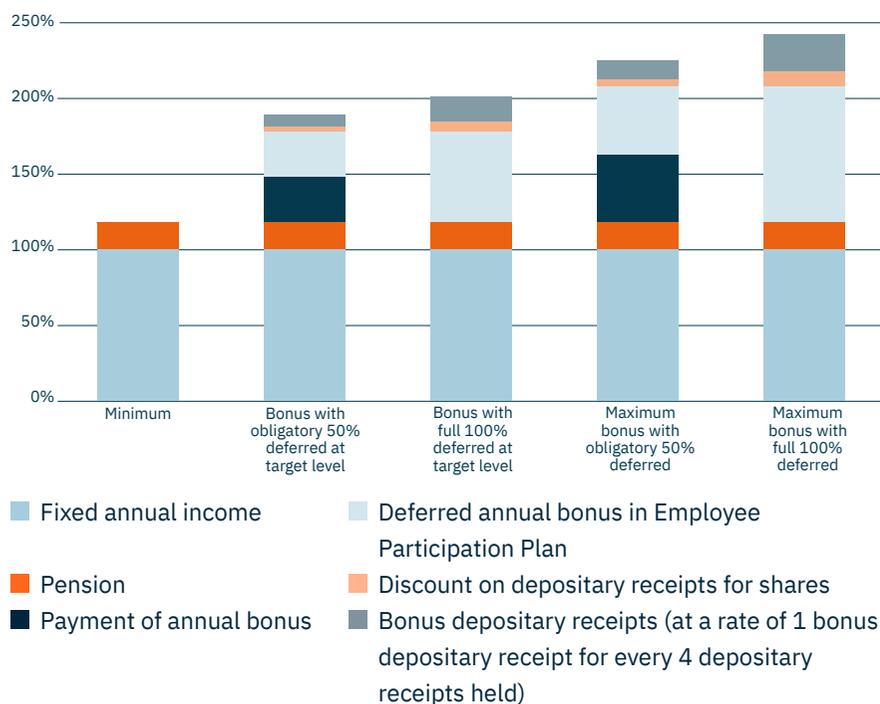
Remuneration element	Assumption used
Fixed annual income	Annual income is paid in equal monthly payments.
Pension	<p>The members of the Board of Directors are enrolled in a defined-contribution pension plan. The age-dependent defined contribution for both the CEO and the CFO is 19.50%.</p> <p>The pensionable salary is the fixed annual income less a deductible for the state pension (€13.785 in 2019). In the scenario, 18% of the fixed annual income is used as average costs for the pension plan.</p>
Variable annual income	<p>For this performance-based variable annual income, 0%, 60% and 90% of the fixed annual income are used as pay levels for the minimum, target and maximum performance-based remuneration respectively.</p> <p>Directors under the articles of association must use at least half of their variable annual income allocated to buy depositary receipts, which makes this a form of deferred remuneration. Directors under the articles of association are free to use all of their variable annual income to buy depositary receipts.</p> <p>The scenario analysis is based on an assumption of immediate payment of 0%, 30% and 45% as variable annual income when half of it is deferred, and 0% when variable annual income is deferred in full (see table).</p>
Deferred variable remuneration/ Employee Participation Plan	<p>When choosing to use more than half of the variable annual income allocated to buy depositary receipts, the scenario analysis is based on the assumption of 0%, 30% and 45% of the fixed annual income as the value of the depositary receipts purchased.</p> <p>When only half of the variable annual income allocated is deferred and 0%, 60% and 90% of the fixed annual income when the variable annual income is deferred in full (see table).</p> <p>The benefit of a 10% discount on the purchase price and the bonus depositary receipts awarded after the 4-year lock-up period is also reflected in the graph (1 bonus depositary receipt awarded after 4 years for every 4 depositary receipts purchased).</p> <p>Although in reality the investment is made using the net amount of the variable annual income (i.e. after tax), the comparison in the graph uses gross amounts. The downside of the 4-year lock-up period has not been included in the assessment.</p>

Board of Directors remuneration mix

Performance	Variable annual income	50% of variable annual income is deferred		Variable annual income deferred in full	
	(as a % of fixed annual income)	Immediate payment	Remaining % for the purchase of depositary receipts for shares	Immediate payment	Remaining % for the purchase of depositary receipts for shares
Minimum	0%	0%	0%	0%	0%
At target	60%	30%	30%	0%	60%
Maximum	90%	45%	45%	0%	90%

Board of Directors remuneration scenarios

(as a % of base salary)



Recruitment policy

The Board of Directors remuneration policy is designed to attract, motivate and retain qualified and experienced directors under the articles of association. The Board of Directors remuneration policy is focused on ensuring the company’s continuity and boosting the company’s value through implementation or timely adjustment of the company’s strategy.

Contractual conditions for the Board of Directors under the articles of association

Under Article 3.4.2 of the Corporate Governance Code, the main terms and conditions of the management agreement between the company and a director under the articles of association are published on Nedap N.V.’s website as soon as the contract has been signed or at least on the day of convocation of the general meeting of shareholders where the proposal for announcement of appointment of the director under the articles of association is to be discussed.

The Supervisory Board is of the opinion that a term of 4 years for a directorship under the articles of association is not sufficient for the intended fulfilment of the role. After all, the responsibilities of the Board of Directors under the articles of association include designing and establishing the company’s strategy and

capturing it in targets and effective policy, which also relates to long-term value creation. Four-year mandates are not sufficient to adequately fulfil this role at a company like Nedap. Nedap therefore deviates from best practice provision 2.2.1 of the Corporate Governance Code on this point, as Nedap enters into contracts with an indefinite term with directors under the articles of association. The notice period is specified in the employment contract or the management agreement (depending on the commencement date of the agreement with the director under the articles of association in question).

The annual performance review for members of the Board of Directors under the articles of association by the Supervisory Board allows the Supervisory Board to ensure effective monitoring of the performance of the members of the Board of Directors under the articles of association. The Supervisory Board deems this to be more effective than having a 4-yearly reappointment procedure.

No advances, guarantees or loans have been issued to members of the Board of Directors under the articles of association.

Severance pay for members of the Board of Directors under the articles of association

The policy with respect to severance pay for the Board of Directors under the articles of association is that severance pay is capped at the fixed annual income. Given that the current CEO was appointed prior to 1 January 2015, his employment contract does not include any specific arrangements in this respect, meaning that statutory provisions apply.

Depositary receipts for Nedap N.V. shares upon termination of the agreement

Under the provisions of the Employee Participation Plan, a director under the articles of association cannot access his or her depositary receipts for a period of 48 months (“lock-up period”). If a director under the articles of association is still employed by Nedap after termination of this 4-year lock-up period, he or she will receive a (1) bonus certificate (net) for every four (4) depositary receipts obtained under the plan. If the employment contract or management agreement (depending on the commencement date of the agreement with the director under the articles of association in question) is terminated before the end of the lock-up period, there will be no entitlement to bonus depositary receipts. This will, however, not be the case when the agreement is terminated on account of the director in question reaching retirement age. If the agreement is terminated because a director under the articles of association has died during the lock-up period, the Supervisory Board will determine whether the legal successor or successors of the deceased director under the articles of association is or are entitled to bonus depositary receipts.

Supervisory Board remuneration policy

The members of the Supervisory Board receive fixed remuneration that reflects the time they spend to fulfil their duties and the responsibilities that go with a Supervisory Board membership.

Individual Supervisory Board members do not receive performance-based pay or share-based remuneration, and neither do they accrue pension entitlements. No personal loans or guarantees have been issued to individual members.

The members of the Supervisory Board do receive an expense allowance that covers travel, accommodation and entertainment expenses. Allowances will not be changed for the 2020 financial year.

The remuneration structure for the Supervisory Board is shown below:

Position	Total remuneration (€ x 1,000 plus VAT)
Chair	40
Member	30

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Remuneration summary

The table below provides an overview of remuneration paid to current and former members of the Board of Directors under the articles of association as recognised in the financial statements.

(€ x 1,000)	Basic income	Variable remuneration	Benefits under employee participation plan	Pension costs	Total
2019					
R. M. Wegman	413	243	45	78	779
E. Urff (until 15 October 2019)	269	305 ¹	21	90	685
Total	682	548	66	168	1,464
2018					
R. M. Wegman	407	296	43	69	815
E. Urff	336	243	35	53	667
Total	743	539	78	122	1,482

¹ Mr E. Urff's variable remuneration includes an amount of €106 under an agreement regarding a one-off payment upon termination of employment. Mr Urff stepped down from his directorship under the articles of association on 4 April 2019 and held the position of nominal director until his leaving on 15 October.

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The table below shows remuneration paid to current and former members of the Board of Directors under the articles of association.

(Amounts x €1,000)		Fixed remuneration		Variable remuneration				Total remuneration	Variable remuneration as a % of fixed remuneration
		1. Base salary	2. Pension and other benefits	3. Variable remuneration		4. Share-based remuneration			
				3a. Paid out	3b. Used to buy depositary receipts ¹	4a. Purchase discount on depositary receipts ²	4b. 1 bonus depositary receipt awarded for every 4 depositary receipts held ³		
R. M. Wegman, CEO	2019	402	78	–	243	14	35	772	38%
	2018	392	69	–	296	15	29	801	42%
E. Urff, CFO	2019	260	90	305	–	–	23	678	48%
	2018	322	53	–	243	12	–	630	40%

Fixed annual income

The fixed annual income paid complies with the current remuneration policy and is increased by the same percentage as the increment awarded to employees under the Nedap collective labour agreement.

Variable annual income

The Supervisory Board has decided to award the Board of Directors under the articles of association variable annual income at a rate of 60% of the fixed annual income.

This decision is based on the following considerations:

- When it comes to the financial targets set for the 2019 financial year, the revenue and operating result targets have not been attained, partly as a result of the swine fever outbreak in Asia, which had a dampening effect

on the revenue of the Livestock Management business unit. Seeing as other business units secured robust revenue growth, Nedap's overall revenue remained stable in comparison to the 2018 financial year. Recurring revenue was up 20% in 2019, in line with the target set at the start of the year. Thanks to the drop in the operating capital, ROIC remained stable at 25%.

- In 2019, improvements were made to the supply chain and associated processes, which resulted in a reduction of inventories (down 24% to €28.5 million)
- The successful sale of Nedap France involved a lot of hard work by the members of the Board of Directors under the articles of association. The net proceeds from the sale of shares in Nedap France in 2019 totalled €14.5 million.

¹ 'Depositary receipts' means 'depositary receipts for shares'.

² This is the discount on the share price at which depositary receipts were purchased in the 2019 financial year.

³ This is the value of bonus depositary receipts awarded. Former CFO G. J. M. Ezendam received bonus depositary receipts with a total value of €26 in 2019 (€22 in 2018).

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- Over the past year, effective work on the Changing Gears programme continued, creating conditions to accelerate the growth rate. Specific actions were taken across Nedap to step up commercial activities and improve their quality. The first results were achieved by centralising these kinds of activities for all business units. Good progress was also made in recruiting and developing talent.
- The change to the organisation's governance structure by adding a management board was implemented expeditiously.

The Supervisory Board appreciates the efforts of the Board of Directors under the articles of association in putting Nedap in a good position to achieve further growth over the coming years.

Deferred remuneration/Employee Participation Plan

Under the remuneration policy, the CEO is required to use at least 50% of his variable annual income for 2019 to buy depositary receipts. The CEO has opted to use all his variable annual income to buy depositary receipts for Nedap N.V. shares.

Share-based remuneration

(Items x 1)		Depositary receipts held as at 1/1	Depositary receipts purchased	Bonus depositary receipts awarded	Depositary receipts sold	Depositary receipts held as at 31/12	Conditional bonus depositary receipts as at 1/1	Conditional bonus depositary receipts awarded	Bonus depositary receipts awarded	Conditional bonus depositary receipts as at 31/12
R. M. Wegman, CEO	2019	28,910	3,832	724	–	33,466	3,129	958	-724	3,363
	2018	24,881	3,463	566	–	28,910	2,829	866	-566	3,129
E. Urff, CFO	2019	9,843	3,145	487	–	–*	2,461	786	-487	2,760
	2018	7,001	2,842	–	–	9,843	1,750	711	–	2,461
G. J. M. Ezendam	2019	–	–	–	–	–	678	–	-553	125
	2018	–	–	–	–	–	1,110	–	-432	678

At the time of issue, the bonus depositary receipts had a value of €47.80 in 2019 (€51.60 in 2018).

* For nominal directors, the number of depositary receipts held after stepping down from a directorship under the articles of association is no longer recognised to the extent that the costs no longer fall to the company in the financial year under review.

Use of penalty and recovery clause

This clause has not been used.

Pay ratio

The pay ratio is the ratio of the CEO's fixed annual income to the gross median income (including holiday pay and thirteenth month bonus) for all Nedap N.V. employees worldwide as at 31 December 2019 ("median income"). The annual income of the members of the Board of Directors under the articles of association is not factored into the calculation of the median income. The CEO's fixed annual income equals 6.9 times the median income (7.0 times the median income in 2018).

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Change in remuneration (Amounts x €1,000)	2019	2018	2017	2016	2015	2019-2015
R. M. Wegman, CEO	-4% (772)	2% (801)	9% (782)	19% (715)	-3% (599)	29%
E. Urff, CFO	8% (678)	2% (630)	9% (615)	19% (565)	- (473)	43%
Supervisory Board members						
G. F. Kolff	0% (40)	0% (40)	0% (40)	0% (40)	0% (40)	0%
J. M. L. van Engelen	0% (30)	0% (30)	0% (30)	0% (30)	0% (30)	0%
M. Pijnenborg	- (30)	-	-	-	-	-
M. A. Scheltema	0% (30)	- (30)	-	-	-	-
M. C. Westermann	0% (30)	0% (30)	0% (30)	0% (30)	0% (30)	0%
D. W. J. Theyse	-	0% (30)	0% (30)	0% (30)	0% (30)	-
Change in Nedap's performance	23%	-1%	37%	13%	20%	82%
Change in median employee remuneration	3% (58)	5% (57)	N/A	N/A	N/A	
CEO pay ratio	6.9	7.0	7.1	N/A	N/A	

The change in remuneration paid to members of the Board of Directors is measured by dividing remuneration paid for the financial year by remuneration received for the previous financial year. If the date of appointment to a directorship under the articles of association is not 1 January of the financial year in question, the change will be recognised on a pro rata basis in the financial year following the year in which the director joined the Board of Directors.

Mr G. J. M. Ezendam was a member of the Board of Directors under the articles of association until 2 April 2015. His remuneration in 2015 totalled €418.

The 2019-2015 column shows the relative change as at year-end 2019 compared to year-end 2015.

The change in Nedap's performance in any financial year concerns the change in the closing price of Nedap shares in the financial year plus dividend paid in the financial year, divided by the closing price of Nedap shares in the previous financial year.

For the definition of 'pay ratio', see the remuneration report.

Supervisory Board remuneration

Remuneration of the Supervisory Board remained unchanged in 2019. Amounts paid are in line with the current Supervisory Board remuneration policy.

Listed below are the amounts paid to current and former members of the Supervisory Board in the 2018 and 2019 financial years.

(€ x 1,000)	2019	2018
G. F. Kolff	40	40
J. M. L. van Engelen	30	30
M. Pijnenborg	23	–
M. A. Scheltema	30	23
M. C. Westermann	7	30
D. W. J. Theyse	–	7

Accountability for implementation of the remuneration policy in 2019

The remuneration report for 2019 will be submitted to an advisory vote at the 2020 general meeting of shareholders to render account for the execution of the remuneration policy in 2019.

The Supervisory Board will take into account the results of the advisory vote and report on this in the remuneration report for 2020.