Nedap N.V. - Remuneration Policy Board of Directors 2021

Introduction
This remuneration policy was drawn up subject to adoption by the General Meeting of Shareholders ("AGM") on 8 April 2021. This remuneration policy serves to review the remuneration policy for the Board of Directors adopted in the AGM on 2 April 2015 and maintained for one year at the AGM of 25 June 2020.

Focus of the review
In 2020, the Supervisory Board assessed whether the remuneration policy of the Board of Directors of Nedap N.V. ('Nedap'), as conducted in recent years, is also in line with Nedap's strategy, which is aimed at long-term value creation, and developments in the market. The Supervisory Board is of the opinion that this is the case and that the policy is in line with the company's culture and is fully in line with its identity, mission and the core values set out below. The basic principles of the policy and the underlying principles are therefore maintained in full. The structure of the remuneration and the remuneration elements used also essentially remained unchanged.

The review focused primarily on an increased degree of transparency in definition, substantiation and reporting. Specifically, the transparency of the following aspects of the policy was increased:

- The explanation of how it contributes to the identity, mission and values of the company
- The explanation of the conditions for deviating from the policy
- The definition of the performance criteria and targets and the determination of awarding

The purpose of the increased transparency in the remuneration policy is to promote long-term engagement of shareholders, employees and other stakeholders. This brings the policy and reporting on policy in line with the Dutch law implementing the Revised Shareholders' Rights Directive (Nederlandse wet ter implementatie van de Herziene Aandeelhoudersrechtenrichtlijn).

The substantive adjustment focuses on the variable remuneration. The performance criteria are adjusted to match six targets which Nedap seeks to pursue internally and which are reported on in the management report. Financial criteria and employee engagement are given more weight.

Board of Directors	Remuneration policy 2015	Remuneration policy 2021
Variable annual income	At-target level 60% fixed annual income	Unchanged
Performance criteria	33.3% financial 33.3% development of internal organisation and 33.3% organisation and external environment	50% financial 25% employee engagement 25% sustainable organisation & earnings model
Deferred payment	Payment used in whole or in part for the purchase of Nedap depositary receipts with the award of 1:4 bonus depositary receipts after four years	Transfer restriction period changed from 4 to 5 years, with the bonus depositary receipt being awarded after 4 years

Transparency has improved. Remuneration policy:

- Specifies for each performance criteria the weighting and bandwidths in the link between performance and award;
- Contains a clearer definition of the non-financial criteria aimed at the engagement of employees, sustainability and a sustainable organisational model.

Support for the policy

When drawing up and reviewing the remuneration policy, the Supervisory Board consulted the Works Council, which issued a positive recommendation on the present remuneration proposal. In addition, the Supervisory Board consulted with shareholders and took their contribution into account. The Supervisory Board also follows the social debate on remuneration and has included broadly shared social insights in the review of the policy. In doing so, it consulted the independent external advisor Focus Orange Advisory B.V. which noted that the remuneration level is appropriate within the Dutch social context and that the remuneration elements are in line with Nedap's identity, mission and values. Also considering the contribution of the Works Council and shareholders, the Supervisory Board believes that the social support for this policy has been taken into account.

Where the Supervisory Board has had to make a choice between the views of various stakeholders, it has given priority to the internal consistency and the identity, mission and values of the company.

Principles of the remuneration policy

The remuneration policy is fully in line with the company's vision and strategy. Nedap focuses on *Technology for Life:* technological solutions that enable people to work in a more agreeable and successful manner. This mission has been translated into the principles of collective, innovative and long-term commitment that are fleshed out in the following core values:

- **First People, then Technology** - To develop high-quality technological solutions, a human-oriented approach is required.
- **Long-term perspective** - Creating successful Technology for Life takes time, energy and perseverance and requires a long-term perspective.
- **Value creation** -Technology for Life only has a right of existence if it creates real value for the company and its customers.
- **Market leadership** - Nedap always strives for leadership in the markets in which it operates, as tangible proof of successful Technology for Life.
- **Added value per employee** - Indicator of a successful translation of knowledge of market and technology into valuable solutions and basis for investments in increasing the company's competitiveness.
- **Distinctive character** - The quality of Nedap's people, the power of its culture and an own perspective of leadership determine the distinctive character of the company.

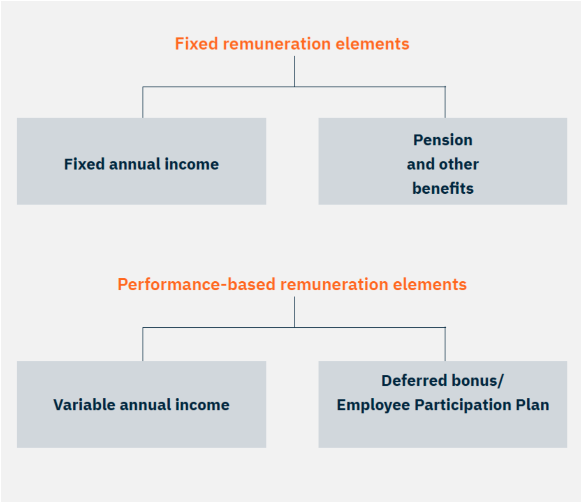
Internally consistent remuneration

The remuneration policy of the Board of Directors has the same objectives as the policy applied to Nedap's employees. It is focused on hiring, motivating and retaining qualified and experienced directors. Engagement with the company is promoted by facilitating participation in the company. The remuneration policy focuses on the sustainability of the company and the increase in the value of the company as a result of the implementation or timely adjustment of the company's strategy.

The annual income of employees depends on the job level, experience in the job (seniority) and responsibilities, in addition to what is customary for that job in the market (remuneration benchmark data). Employees are eligible for a profit-sharing scheme, in accordance with the conditions included in the Employee Participation Plan ("Plan"). The Board of Directors receives depositary receipts for Nedap shares as part of the variable annual income in accordance with the same conditions, as explained below. In this respect, the directors must hold the Nedap depositary receipts for five years; a term of four years applies to employees.

Composition of remuneration package

The remuneration for the Board of Directors consists mainly of the remuneration elements shown schematically below:



The fixed annual income consists of a monthly salary. In addition, Nedap awards its Board of Directors a performance-related variable remuneration. Half of the variable remuneration awarded must be invested in Nedap depositary receipts that must be retained for five years. After four years, 1 bonus depositary receipt will be awarded for each four depositary receipts held. When the targets are achieved, the variable annual income is 60% of the fixed annual income. This means that the total remuneration consists for 62.5% of fixed annual income and for 37.5% of variable annual income.

In addition to the annual income, the remuneration package includes a pension contribution to secure future income and secondary employment conditions that enable the director to properly perform his duties. The schemes for these two remuneration elements are in line with the market and with schemes for Nedap employees.

Determination of remuneration level

The objective of the total remuneration package is that the total remuneration is proportionate to the level and complexity of the required responsibilities and is sufficiently competitive. In addition, the remuneration package must be a responsible result for the duties and responsibilities that the Board of Directors as a whole and individually has with regard to the organisation.

The internal salary structure is used as a reference in this respect and the outcome is assessed against the external market. For this external assessment, the remuneration is compared to that of Dutch listed companies of a similar size and complexity. The selection of these guidelines is based on ISS's guidelines, with the size of Nedap, expressed in an average of turnover, market capitalisation and employees, being around the median. In order to determine which listed companies are to be considered, the following guidelines have been drawn up:

- AScX listed companies, supplemented by a number of relevant AMX and local funds listed companies,
- with the exception of financial enterprises such as banks, insurers, trading houses and real estate companies.

The guideline for the Supervisory Board in establishing the remuneration amount is that it internally leads to a moderate pay ratio and in the external comparison does not exceed the median level of the peer group.

In line with the law and the Corporate Governance Code, the Supervisory Board takes into account the development of the pay ratio (the ratio between the CEO's remuneration and the median remuneration of all employees worldwide, exclusive of the Board of Directors, which is included in the annual remuneration report), when establishing or revising the remuneration.

Fixed remuneration elements

The fixed annual income is the guaranteed annual salary, based on the responsibilities of the directors. The fixed annual income ensures that qualified and expert directors can be hired and retained for the realisation of Nedap's strategy and organisational objectives. The amount of the fixed annual income is determined in line with the individual's responsibilities. This will be adjusted annually by the CLA (CAO) increase for Nedap employees. The fixed annual income is periodically reviewed, taking into account internal remuneration ratios and developments in the external remuneration market.

Pension

The pension scheme enables directors to purchase pension in due course and fits in with a fee that is in line with market practice. The pension base is the fixed annual income less a statutory state pension offset, taking into account state pension (AOW) rights. The scheme for the Board of Directors is equal to the pension scheme for staff with the following deviations: higher defined contributions (6/5) and a lower state pension offset (2021: € 14,544).

All employees at Nedap with an income exceeding the maximum pensionable salary for tax purposes will receive a gross allowance in the amount of the employer's contribution to the pension scheme. This scheme also applies to the Board of Directors.

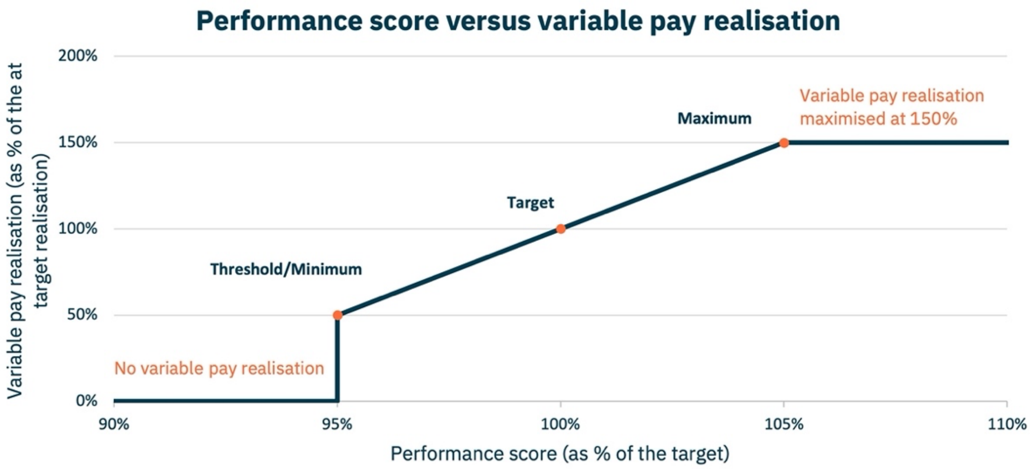
Fringe benefits

The Board of Directors will receive secondary employment conditions that are appropriate to its position and responsibilities of the Board of Directors. In general, the secondary employment conditions of the Board of Directors are in the same bandwidth as the other employees, such as the company car scheme. It is regularly examined whether these conditions are still in line with the market. In the case of new schemes for employees, it is determined whether these also apply to the Board of Directors. Secondary employment conditions will be in line with what is customary in the Netherlands, taking into account individual circumstances.

Variable annual income

The variable annual income depends on performance delivered in a financial year on six performance criteria described below which Nedap seeks to pursue internally and which is reported on in the management report. At the beginning of each year, the Supervisory Board determines the targets to be achieved (target levels), geared to the annual budget. The target levels are not disclosed in advance because they ensue directly from the competition-sensitive annual plan and budget.

After the end of the year, the Supervisory Board assesses the performance of the predetermined targets. If all targets (at target) are achieved, 60% of the fixed annual income is awarded. If the performance is above target, a maximum of 90% can be awarded. At a threshold level below target, the award is 30% and no award will be made below the threshold level. This method is shown in the graph below for the financial targets.



Half of the award depends on four financial performance criteria, each with equal weight:

- Net turnover reflecting the envisaged (growth in) size of the company;
- EBIT margin (Operating Result less one-off items in percentage of turnover) which indicates how profitable turnover is;
- Recurring Revenue, as part of the strategic ambition, but also as an indication of the nature of the relationship with and loyalty of customers;
- Operational cash flow, expressed as the average of the operational cash flow at the end of the four quarters in the year. This standard is subject to a slightly broader bandwidth (90% to 110% of target).

The bandwidths for minimum and maximum award per financial target are shown in the table below. The target is always based on the budget as follows from the annual plan approved by the Supervisory Board.

	Bandwidth	
Performance criteria	**Minimum vs. target**	**Maximum vs. Target**
Net turnover	95%	105%
EBIT margin	-/- 2% point	+/+ 2% point
Recurring Revenue	95%	105%
Operational Cashflow	90%	110%

The other half of the award depends on two non-financial performance criteria of equal weight:

- Engagement of employees that Nedap considers as an essential success factor for long-term value creation. The employee engagement is measured annually whereby a score of employee engagement in the highest quartile compared to other Dutch organisations will apply as target. If Nedap is not positioned in this highest quartil no award will follow. Each year, the Supervisory Board formulates a point of attention in order to improve the level of employee engagement. The progress of this point of attention may give cause to pay the remuneration above or below the target level. Each year, the Supervisory Board will report on the chosen point of attention in the remuneration report.
- A sustainable organisational and earnings model is an essential success factor for a qualitative, long-term value creation. Each year, the Supervisory Board will set specific objectives, selected from the following three categories:
    - Progress towards achieving targets in the area of sustainability of the company, with Corporate Social Responsibility being the first priority.

  - Strategic positioning and proposition portfolio
  - Operational effectiveness

The award of the variable annual income is determined according to the additive method, meaning per criterion and then added up to a total percentage of the fixed annual income. These benefit levels are specified per criteria in the table below.

		Benefit level (as % of fixed annual income)		
Performance criteria	**Minimum**	**Threshold**	**Target**	**Maximum**
Financial - Net Turnover	0%	3.75%	7.5%	11.25%
Financial - EBIT margin	0%	3.75%	7.5%	11.25%
Financial - Recurring Revenue	0%	3.75%	7.5%	11.25%
Financial - Operational Cash flow	0%	3.75%	7.5%	11.25%
Employee engagement	0%	7.5%	15%	22.5%
Sustainable organisational and earnings model	0%	7.5%	15%	22.5%
Total	**0%**	**30%**	**60%**	**90%**

Reasonableness test

In each award of variable remuneration, the Supervisory Board is authorised to assess the arithmetic outcome of the award method based on reasonableness and fairness and, if necessary, adjust the award.

The remuneration report, which is subject to the AGM's advisory vote, will state the reasons for the adjustment.

Reclaiming scheme

If the variable annual income has been awarded on the basis of incorrect information, the Supervisory Board will be entitled to reclaim the full amount paid from the relevant director, specifically in the following cases:

- If there is a material inaccuracy in the financial results with such an effect on the result of the variable annual income that more was paid than if the inaccuracy had not occurred.
- In the event that the assessment of a performance criterion and/or objective is based on incorrect information or assumptions, the payment of the variable annual income was higher than if this information or assumptions had been correct.

Deferred variable remuneration

The remuneration policy does not allow for a separate award of long-term remuneration. The Supervisory Board is aware that proxy advisory services insist on the introduction of such an instrument. However, for Nedap, the most relevant and accurate performance review is conducted on the basis of the achievement of the annual plan, budget and annual targets. In addition, the Supervisory Board believes that the strongest connection of the Board of Directors to the long-term shareholder value is achieved by a direct investment of the variable remuneration in the purchase of depositary receipts for shares in Nedap N.V.

For that reason, the payment of variable remuneration is deferred in whole or in part and used for the purchase of depositary receipts for Nedap shares. This stimulates the long-term engagement of directors. The scheme is embedded in the Plan that is widely accessible to employees and that strengthens the internal consistency of the remuneration.

A director is obliged to invest at least 50% of the (net) variable annual income awarded in the purchase of depositary receipts for Nedap shares, at a purchase discount of 10%. The depositary receipts were then blocked for five years and are held in accordance with the terms of the Plan. After four years, bonus depositary receipts will be awarded in the ratio 1 to 4. This means that the maximum payment is 125% of the number of depositary receipts purchased, apart from the price and dividend yield achieved during the share transfer restriction period.

On a voluntary basis, a director can also invest (part of) the remaining part of the net variable remuneration awarded in depositary receipts under the Plan, under the same conditions as those applicable to the other staff, with the additional provision that the Nedap depositary receipts must be held by the directors for five years.

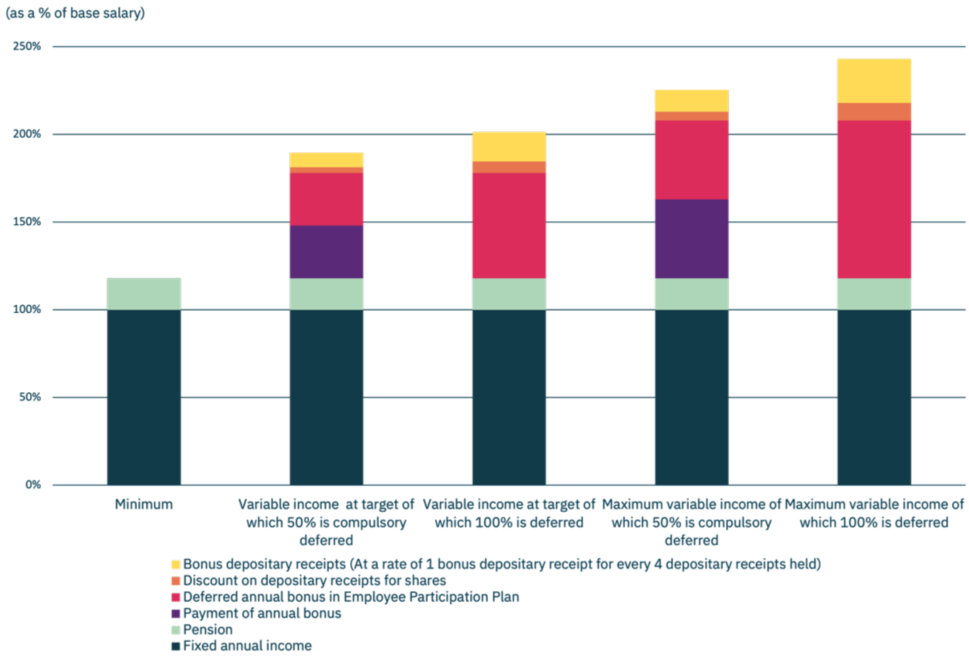
Scenario analysis
The Supervisory Board analysed a number of scenarios to which extent the remuneration can develop, both in terms of level and composition. Each time the Supervisory Board awards a variable remuneration, it is authorised to assess reasonableness and fairness of the outcome of the award method and, if necessary, adjust the award.

The table and graph below reflect the remuneration mix of the Board of Directors. The scenarios do not take into account price movements, dividend payments and/or secondary employment conditions other than pension contributions. In the analysis, 18% of the fixed annual income is used as average costs for the pension scheme. In addition, the benefit of 10% of the purchase discount and bonus depositary receipts after a 5-year share transfer restriction period is shown in the graph (1 bonus depositary receipt is delivered after 5 years per 4 depositary receipts purchased).

Remuneration mix Board of Directors members

	Variable annual income	**50% of the variable annual income is postponed**		**The variable annual income is complete postponed**	
Performance	(in % of the fixed annual income)	Direct payment	Remaining % for the purchase of depositary receipts of shares	Direct payment	Remaining % for the purchase of depositary receipts of shares
Minimum	0%	0%	0%	0%	0%
At target	60%	30%	30%	0%	60%
Maximum	90%	45%	45%	0%	90%

Scenarios for remuneration of Board of Directors members



Agreements with the members of the Board of Directors

Directors are appointed on the basis of an agreement for an indefinite period of time. This is prompted by the responsibility of the Board of Directors for determining the company's strategy, translating that strategy into objectives and an effective policy and creating long-term value. For a company like Nedap, this cannot be realised within mandates of 4 years each time, which the Corporate Governance Code prescribes in best practice provision 2.2.1.

Each year, the Supervisory Board assesses the performance of the directors and thus has the opportunity to monitor its performance effectively and, if necessary, to adjust or intervene accordingly. The Supervisory Board considers this to be more effective than completing a 4-year reappointment procedure.

Contents of the agreement

The remuneration of the directors will be laid down in the agreement in accordance with this policy.

The agreement cannot provide for advances, guarantees or loans to a director, which are excluded under the remuneration policy.

When hiring a director from outside the company, the Supervisory Board may award a one-off sum to compensate for conditional remuneration rights that the director waives as a result of the transfer. This fee is not higher than strictly necessary. In accordance with best practice provision 3.4.2 of the Corporate Governance Code, the key elements of the agreement between the director and the company will be posted on the website prior to the general meeting of shareholders in which the director is appointed.

Termination of the agreement

The notice period for the current employment agreement or the management agreement is in accordance with the applicable statutory provisions.

With regard to the severance pay for the Board of Directors, the policy is that this payment is no more than the amount of one year's fixed income. Because the current CEO was appointed before 1 January 2015, no separate arrangements were made to that end in the employment agreement and the statutory provisions apply.

If the employment agreement or management agreement is terminated, a director will lose the right to bonus depositary receipts that will accrue to him on blocked depositary receipts he holds, unless the agreement is terminated by reaching retirement age. If the agreement is terminated by death, the Supervisory Board will determine whether the successor(s) of the deceased director is entitled to bonus depositary receipts.

Final provisions

Governance process for determining, reviewing and implementing the remuneration policy

The remuneration policy for the Board of Directors will be submitted to the AGM for adoption on 8 April 2021 on the Supervisory Board's proposal. It will be accompanied by a positive advice from the Works Council. If the AGM adopts the remuneration policy with at least the 75% legally required votes present at the meeting, it will take effect retroactively on 1 January 2021. The remuneration policy as well as the date and outcome of the vote on the policy will be published on the company's website immediately after the AGM.
No later than four years after adoption, the remuneration policy will be submitted again to the AGM for adoption, or earlier if the Supervisory Board sees reason to do so.

In the event that the AGM rejects this proposal, the policy pursued up until then will remain in force and the Supervisory Board will be obliged to present a new proposal at the next AGM, taking into account the views of the shareholders.

Derogation

The Supervisory Board may temporarily deviate from the provisions on fixed and variable remuneration in the remuneration policy for the Board of Directors if, in the opinion of the Supervisory Board, this is necessary to serve the long-term interests and sustainability of the company as a whole or to guarantee its viability. If the Supervisory Board decides to pay a different remuneration, this will be disclosed by including this deviation in the remuneration report discussed at the first next AGM. The Supervisory Board will then explain its decision. If the deviation leads to a review of the remuneration policy, the Supervisory Board will also submit that remuneration policy to the shareholders for adoption.