

2020 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 2020 financial year. The remuneration report complies with Article 2:135(b) of the Dutch Civil Code and the remuneration reporting requirements from the Corporate Governance Code. The remuneration report provides information about the remuneration policy pursued (see also <https://nedap.com/investors/corporate-governance/>) during the 2020 financial year to ensure transparency for all stakeholders. On 25 June 2020, the General Meeting of Shareholders (AGM) accepted the proposal to renew the current remuneration policy for the Board of Directors for one year.

The objective of the Board of Directors remuneration policy is to attract, motivate, and retain qualified and experienced directors under the articles of association. The Board of Directors remuneration policy is focused on the company's continuity and geared towards long-term value creation, offering remuneration focused on ongoing development of employees and the organisation, so as to ensure to continued success of Nedap's products and technologies in the various markets in which Nedap operates.

Along with positive advice from the works council, the new remuneration policy will be submitted for adoption to the General Meeting of Shareholders in 2021.

Accountability for remuneration policy implementation in 2020

At the AGM of 25 June 2020, the 2019 remuneration report was approved by a majority of votes cast.

This 2020 remuneration report will be submitted to an advisory vote at the 2021 AGM, thus rendering account on the implementation of the remuneration policy in the 2020 financial year. The Supervisory Board will take the result of this advisory vote into account and cite it in the remuneration report for 2021.

Remuneration summary

The table below provides a summary of the remuneration awarded to current and past board members under the articles of association as recognised in the financial statements.



(€ x 1,000)	Basic income	Variable remuneration	Employee participation plan benefits	Pension costs	Total
2020					
R. M. Wegman	419	267	42	79	807
D. van der Sluijs (from 1 March 2020)	211	132	12	29	384
Total	630	399	54	108	1,191
2019					
R. M. Wegman	413	243	45	78	779
E. Urff (up to 15 October 2019)	269	305 ¹	21	90	685
Total	682	548	66	168	1,464

¹ Mr E. Urff's variable remuneration includes an amount of 106 based on an agreement on a one-off payment upon leaving the company. Mr Urff stepped down from his position of director under the articles of association on 4 April 2019, staying on as titular director until he left the company on 15 October.

The table below provides a summary of the remuneration awarded to current and past board members under the articles of association.

		Fixed remuneration		Variable remuneration				Total remuneration	Variable remuneration as % of total remuneration
		1. Basic salary ¹	2. Pension and other allowances	3. Variable remuneration		4. Share-based remuneration			
				3a. Paid out	3b. Used to purchase depositary receipts ²	4a. Purchase discount for depositary receipts ³	4b. 4:1 Matching depositary receipts ⁴		
R. M. Wegman, CEO	2020	409	79	-	267	14	31	800	39%
	2019	402	78	-	243	14	35	772	38%
D. van der Sluijs, CFO	2020	203	29	33	99	-	-	364	36%
	2019	-	-	-	-	-	-	-	-
E. Urff	2020	-	-	-	-	-	-	-	-
	2019	260	90	305	-	-	23	678	48%

Fixed annual income

The fixed annual income is in line with the current remuneration policy and incremented at the same rate as the rate used for employees, as agreed in Nedap's collective labour agreement.

¹ The basic salary does not include the employer's social security contributions.

² 'Depositary receipts' means 'depositary receipts for shares'.

³ This is the amount of the discount given on the purchase of depositary receipts in the financial year.

⁴ This is the value of the depositary receipts awarded. Former CFO G. J. M. Ezendam received matching depositary receipts with a value of 6 in 2020 (26 in 2019).

Variable annual income

The Supervisory Board has set the variable component of the annual income for the Board of Directors under the articles of association for 2020 based on the following considerations:

- The year 2020 was dominated by the COVID-19 pandemic, which had a major impact on the company. As a result, the revenue and profit growth targets were unattainable. Thanks to proactive action, the company still managed to keep revenue stable, despite the sharp drop in demand in various markets. Nedap was successful in implementing cost-cutting measures quickly, keeping profitability at a good level and posting an operating profit of 9% of revenue.
- The ongoing focus on software services led to a 14% rise in recurring revenue to 27% of revenue.
- Cost savings pushed up added value from 63% to 66% of revenue.
- Despite great fluctuations in demand for individual products, Nedap succeeded in further optimising the supply chain and further slimming inventories from 28.5 million to 23.1 million, i.e. an 18% reduction.
- The inventory reduction combined with close monitoring of accounts receivable pushed working capital down and ROIC up from 25% to 28%.
- Partly on the back of excellent operating cash flow, Nedap is able to pay a total dividend of €4.50 per share, while the company's financial position continues to be solid.
- Alongside all the COVID-19-related activities, there were targeted investments, in line with the strategic course and taking into account the economic reality, in strengthening the company's propositions and clout by hiring new, talented employees. While this will lead to a drop in added value per employee in the short term, it will in the longer term position Nedap perfectly to seize opportunities that will arise when economic activity recovers in the various markets.

- A large-scale strategy development process was completed successfully in 2020, despite the challenging practical circumstances. It has resulted in a new strategic multi-year plan aimed at accelerating Nedap's growth, which is broadly supported across the organisation.
- During the year, important steps were taken in centralising back-office activities, with one major milestone being the migration of various accounts systems to one single system, which is a key precondition for acceleration of the next steps in digitalising the internal processes.
- A Corporate Social Responsible excellence workstream that was launched delivered a vision and an action plan. In 2021, policy in this area will be made explicit.
- Due to the COVID-19 pandemic, the Capital Markets Day planned for 2020 was postponed and will be held as a virtual event in 2021.

To recap, the Supervisory Board is of the view that the performance of the Nedap organisation and the Board of Directors was outstanding and has, therefore, decided to award the Board of Directors under the articles of association (in line with the remuneration policy) a variable annual income of 65% of the fixed annual income.



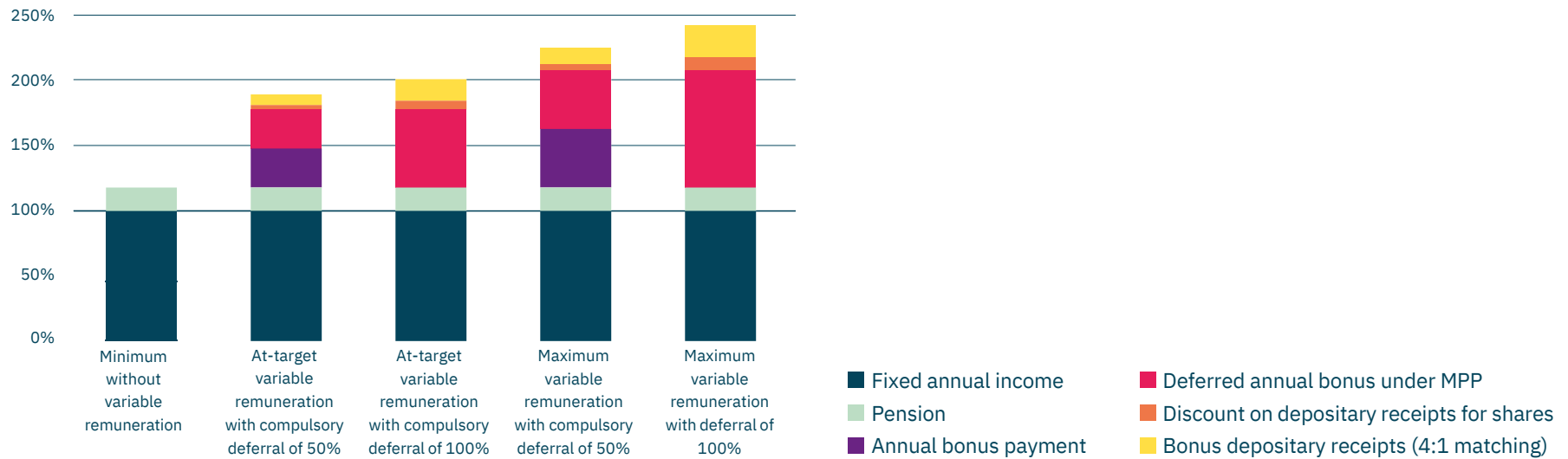
Directors pay mix

Performance	Variable annual income	50% of variable annual income is deferred		Variable annual income deferred in full	
	(as % of fixed annual income)	Direct payment	Remaining % for purchase of depositary receipts for shares	Direct payment	Remaining % for 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%

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Board member remuneration scenarios

(as % of basic salary)



Deferred remuneration/MPP

Under the remuneration policy, the CEO and CFO must use a minimum of 50% of their variable annual income for 2020 to purchase depositary receipts for shares. The CEO has opted to use his total variable remuneration to purchase depositary receipts, while the CFO used 75% of her variable remuneration to purchase depositary receipts.

Use of penalty and recovery scheme

This scheme was not used.

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*	Contingent bonus depositary receipts awarded as at 1/1	Contingent bonus depositary receipts awarded	Bonus depositary receipts awarded	Contingent bonus depositary receipts awarded as at 31/12
R. M. Wegman, CEO	2020	33,466	2,810	665	-	36,941	3,363	703	-665	3,401
	2019	28,910	3,832	724	-	33,466	3,129	958	-724	3,363
D. van der Sluijs, CFO	2020	-	-	-	-	-	-	-	-	-
	2019	-	-	-	-	-	-	-	-	-
E. Urff	2020	-	-	546	-	-	2,760	-	-546	2,214
	2019	9,843	3,145	487	-	-	2,461	786	-487	2,760
G. J. M. Ezendam	2020	-	-	-	-	-	125	-	-125	-
	2019	-	-	-	-	-	678	-	-553	125

On the date of delivery in 2020, the bonus depositary receipts represented a value of €47.00 (€47.80 in 2019). As at 31 December 2020, the price of Nedap shares was €51.00.

* The number of depositary receipts held by a director after stepping down as director under the articles of association is no longer recognised where the costs are no longer charged to the company in the financial year covered by the report.

Change in remuneration (Amounts x €1,000)	2020	2019	2018	2017	2016	2020-2016
R. M. Wegman, CEO	4% (800)	-4% (772)	2% (801)	9% (782)	19% (715)	12%
D. van der Sluijs, CFO	- (437)	-	-	-	-	-
E. Urff	-	8% (678)	2% (630)	9% (615)	19%	-
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	0% (30)	- (30)	-	-	-	-
M. A. Scheltema	0% (30)	0% (30)	- (30)	-	-	-
M. C. Westermann	-	0% (30)	0% (30)	0% (30)	0% (30)	-
D. W. J. Theyse	-	-	0% (30)	0% (30)	0% (30)	-
Change in Nedap's performance	10%	23%	-1%	37%	13%	79%
Change in average employee pay	2% (59)	3% (58)	5% (57)	N/A	N/A	
CEO pay ratio	6.9	6.9	7.0	7.1	N/A	

The change in remuneration for the members of the Board of Directors is measured by dividing remuneration for the financial year by remuneration received in the previous financial year. If the date of appointment as director under the articles of association is not 1 January, the change is recognised on a pro rata basis in the financial year following the year of joining. The 2020-2016 column shows the relative change as at year-end 2020 compared to year-end 2016.

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

Deviations from the remuneration policy

There were no deviations from the remuneration policy. The company has not granted members of the Board of Directors any loans or guarantees.

Pay ratio

The pay ratio is the ratio of the CEO's current fixed annual income to the median pre-tax fixed annual income (including holiday pay and 13th-month bonus) of all Nedap employees worldwide as at 31 December 2020 ('median salary'). The annual salaries of the directors under the articles of association are not included in the calculation of the median salary. The CEO's fixed annual income equals 6.9 times the median salary (6.9 times in 2019).

Supervisory Board member remuneration

The remuneration paid to the Supervisory Board remained unchanged in 2020. The amounts paid are in line with the current remuneration policy for Supervisory Board members. The table below lists the remuneration that (former) Supervisory Board members received for the 2020 and 2019 financial years.

Supervisory Board members (€ x 1,000)	2020	2019
G. F. Kolff	40	40
J. M. L van Engelen	30	30
M. Pijnenborg	30	23
M. A. Scheltema	30	30
M. C. Westermann	-	7

The company has not granted Supervisory Board members any loans or guarantees.

