
Remuneration report 2018

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This remuneration report 2018 has two parts. The first part contains information on the remuneration awarded to the members of the Executive Board in 2018. The second part contains information on the remuneration awarded to the members of the Supervisory Board in 2018.

1. Remuneration of the Executive Board in 2018

Executive Board Remuneration Policy

Vastned's Executive Board Remuneration Policy was adopted by the Annual General Meeting of Shareholders on 19 April 2018 and took retrospective effect as of 1 January 2018. The full text of the Remuneration Policy is available on Vastned's website:

www.vastned.com/remuneration_policy

In formulating the Remuneration Policy and its implementation, the objectives for the strategy for implementing long-term value creation were taken into consideration (see also the chapter Long-term value creation in the annual report 2018). The total remuneration of Vastned's Executive Board was compared at year-end 2017 by independent consultancy Korn Ferry with the Employment Market Reference Group as described in the Remuneration Policy. As a double fairness test, the findings of this comparison were also compared with all the companies in the AScX index and with a group of fourteen Dutch companies of similar complexity and size. For the determination of the total remuneration of the Executive Board, the salary ratios within Vastned and the views of the members of the Executive Board on their own remuneration and the Remuneration Policy were also weighed. Members of the Executive Board are eligible for long-term variable remuneration (Long-Term Incentive or 'LTI'), as described in the Remuneration Policy. The LTI ranges from 0% up to a maximum of 60% of the fixed remuneration, and in each case covers a three-year period. The LTI scheme has the following three elements, each of which has a certain weight in the total LTI:

- A Relative Total Shareholder Return ('RTSR') test;
- An Absolute Total Shareholder Return ('ATSR') test;
- A Business Health Test.

The relative weight of these percentages of the LTI was adjusted based on the comparison mentioned above; the new weights as of 1 January 2018 will be:

- 40% RTSR test (previously: 50%);
- 30% ATSR test; and
- 30% Business Health Test (previously: 20%).

It was also decided to alter the award range based on the ATSR with retrospective effect until 1 January 2018 as follows:

- < 10% (previously: <45%): 0%
- < 15% (previously: <60%): 50%
- < 25% (previously: <75%): 100%

(The ATSR awarded between the threshold and the maximum is determined pro rata.)

Employment agreements of the Executive Board

Duration of the agreement

Taco T.J. de Groot (CEO) was appointed by the Annual General Meeting of 25 April 2015 for a four-year term. Reinier Walta (CFO) was appointed by the Annual General Meeting of 19 April 2018 for a four-year term. For members of the Executive Board, the Company must observe a notice period of six months, the members themselves three months.

Dismissal payments

Dismissal payments are limited to twelve months' fixed remuneration. Mr. De Groot's and Mr. Walta's employment agreements comply with the Code.

Share ownership guidelines

Based on the share ownership guidelines in the 2018 Remuneration Policy the members of the Executive Board must build up a position in Vastned shares equal to 300% of the most recently adopted fixed remuneration for the CEO and 150% for the CFO, whereby the Executive Board should strive to build up the minimum shareholding within five calendar years.

Position at year-end 2018

As at year-end 2018, at a closing price of € 31.30, the CEO met the minimum Vastned shareholding requirement of at least 300% of the CEO's fixed remuneration, with 69,851 shares purchased from his own means, or 475%. At year-end 2018, Reinier Walta had built up a Vastned shareholding of 2,000 shares, of which 1,000 were purchased from his own means and 1,000 from the LTI paid out in 2018. At a closing price of € 31.30, this is 20% of his fixed remuneration as at 31 December 2018. Thus, the CFO has not yet met the requirement of the minimum shareholding of at least 150% of the fixed remuneration of the CFO.

Fixed remuneration 2018

Based on the Remuneration Policy, the fixed remuneration of the members of the Executive Board (including employer's social security contributions) for 2018 has been determined as follows:

Fixed remuneration (€)	2018	2017	Change
Taco T.J. de Groot (CEO)	470,551	450,000	4.6%
Reinier Walta (CFO)	318,551	297,000	7.3%
Totals	789,102	747,000	5.6%

As mentioned earlier, in late 2017 the remuneration levels of the Executive Board were evaluated and readopted as of 1 January 2018, whereby the Executive Board's base salaries were set around the median of the Employment Market Reference Group and around the 20th percentile for the total remuneration, since Vastned is positioned near this percentile in terms of size.

Taco de Groot's fixed remuneration was € 460,000 as at 1 January 2018.

In view of the desirability of a balanced remuneration ratio between the CEO and the CFO, Vastned's Remuneration Policy states that the fixed remuneration of the CFO can grow to 70% of the fixed remuneration of the CEO. Furthermore, when the CFO was appointed, it was provided that over a period of three years starting on 1 January 2015 he could grow based on positive assessments to a fixed remuneration of 70% of the CEO's fixed remuneration at the time. In early 2018, this growth had been fully realised and the fixed remuneration of the CFO was € 308,000, or 70% of the fixed remuneration of the CEO as at 1 January 2015 (70% * € 440,000 = € 308,000).

Based on a positive assessment of the CFO in 2018, and taking account of the periodic test against the Employment Market Reference Group and the other provisions in the Remuneration Policy regarding the remuneration ratio between the members of the Executive Board, the Supervisory Board resolved to adjust the CFO's fixed remuneration as of 1 January 2019 to 70% of the fixed remuneration of the CEO (i.e. 70% * € 460,000 = € 322,000).

Before doing so, the Supervisory Board took note of the CFO's views concerning the level and structure of his own remuneration, whereby attention was given to the remuneration system within Vastned and the level of the fixed and variable remuneration components, the performance criteria used, the scenario analyses performed and the remuneration ratios within Vastned and the business associated with it.

Variable remuneration in 2018

Overview of the remuneration awarded to the Executive Board for 2018

The table below presents the remuneration awarded to the Executive Board in 2018:

	Fixed remuneration ¹⁾	Pension ²⁾	Other benefits ³⁾	STI	LTI	Total
Taco T.J. de Groot	470,551	84,775	32,785	161,460	162,289	911,860
Reinier Walta	318,551	57,533	26,554	108,108	108,663	619,409
Total	789,102	142,308	59,339	269,568	270,952	1,531,269

¹⁾ Including social security premiums

²⁾ Including WIA excess premium

³⁾ Concerns expenses relating to company car.

Furthermore, in 2018 an amount of € 79,616 was paid out to Taco de Groot for holidays not taken in previous financial years.

The table below presents the different elements of the remuneration awarded to the Executive Board in 2018:

Remuneration split (%)	Fixed remuneration	Pension	Other benefits	STI	LTI	Total
Taco T.J. de Groot (CEO)	52	9	4	17	18	100
Reinier Walta (CFO)	52	9	4	17	18	100

Remuneration ratios within Vastned

In accordance with the best-practice provisions in the Code, Vastned reports on the remuneration ratios on the Executive Board and those of a 'representative reference group' identified by the Company. Vastned has elected to compare the remuneration of the CEO with that of the average employee. The total financial remuneration (i.e. excluding non-financial remuneration elements such as travel expenses) of all Vastned employees (excluding the remuneration of the CEO) for the relevant tax year was used as the reference point. To calculate the ratio, the salaries of employees who as at 31 December 2018 had not yet been employee for a full year were annualised as if the relevant employee had been employed throughout the year. Using this method the ratio between the CEO's remuneration and that of an average employee for the 2018 tax year was 7.10 : 1 (2017: 5.73 : 1). This increase is related to the optimization of the workforce in 2018 (streamlining and reduction management structure) and the realised reduction of total personnel costs.

Short-Term Incentives (STI) for 2018

Both members of the Executive Board were set three shared quantitative targets, as well as an individual qualitative target.

The first shared quantitative target related to the total occupancy rate of the portfolio as at year-end 2018. This target was realised for 21.75% out of the maximum of 25% of the STI.

The second shared quantitative target was the percentage core city assets as part of the total property portfolio. This target was realised for 23.20% out of the maximum of 25% of the STI.

The third shared quantitative target related to the like-for-like gross rental growth. This target was realised for 17.80% out of the maximum of 25% of the STI.

The objective of the qualitative STI-target for the CEO was focused on long-term value creation in determining the strategy for the company. The qualitative STI-target for the CFO had for 50% the same objective. The other 50% was related to the implementation of a new property management system throughout the organisation. Both the CEO and the CFO realised their qualitative STI-targets in full at year-end 2018 (25% of STI).

This took the total STI to 87.75% (21.75% + 23.20% + 17.80% + 25% realisation of STI targets) * 40% (weight of STI in total calculation) * annual salary (€ 460,000 for the CEO and € 308,000 for the CFO) = € 161,460 for the CEO and € 108,108 for the CFO.

Long-Term Incentives (LTI) for 2018

The LTI can range from 0% to a maximum of 60% of the fixed remuneration, and in each year covers a three-year period. The LTI scheme has the following three elements:

- A Relative Total Shareholder Return ('RTSR') test (40%);
- An Absolute Total Shareholder Return ('ATSR') test (30%);
- A Business Health Test (30%).

The maximum achievable LTI in 2018 for Taco De Groot was 60% of € 460,000 and for Reinier Walta 60% of € 308,000.

RTSR test

The RTSR test sets 40% of the total LTI. For a description of the test and the reference group, please refer to Paragraph 4.3.2.2 of the Remuneration Policy for the Executive Board, which can be inspected on the Vastned website. In the defined reference group Vastned came third based on the figures at year-end 2018, so 72% is awarded based on the RTSR test. As a result, 72% * 40% = 28,8% of the RTSR-based LTI is payable (equal to 28,8% (based on the RTSR test) * 60% (weight of LTI in total calculation) = 17,28% of the annual salary).

ATSR test

The ATSR test sets 30% of the total LTI. For a description of the test, please refer to Paragraph 4.3.2.3 of the Remuneration Policy for the Executive Board, which can be inspected on the Vastned website. As the ATSR for the period 1 January 2016 up to and including 31 December 2018 was not been above 10% as per 31 December 2018, 0% LTI will be payable based on the ATSR test.

Business Health Test

The Business Health Test determines 30% of the total LTI. The purpose of this test is to promote a long-term vision in the determination of the strategy and the policy conducted. As the principle in the assessment of this test, initially the impact of the annual STI targets is measured over a three-year period. But it also takes account of other, non-financial performance indicators. These may include strategic leadership, the 'tone at the top', employee satisfaction, implementation of the strategy and corporate social responsibility.

The Business Health Test was realised in 2018. The calculation of the LTI based on the realisation of the Business Health Test is as follows: 30% (weight of Business Health Test in LTI) * 60% (weight of LTI in total calculation) * annual salary = 18% * annual salary.

Reporting year 2018 is the second year in the three-year period over which the LTI is determined. The LTI for the period 2016 - 2018 will be: € 162,288 for the CEO (€ 79,488 (RTSR) + € 82,800 (Business Health Test)) and € 108,662 for the CFO (€ 53,222 (RTSR) + € 55,440 (Business Health Test)).

The Supervisory Board has not availed itself of the right to adjust or reclaim the incentives awarded to the Executive Board on the 2018 reporting year or before.

Pension 2018

The members of the Executive Board do not pay own contributions to their pension schemes; these contributions are paid by the Company. Reinier Walta's pension is based on a career average scheme and Taco De Groot's is a defined-contribution scheme. The expected retirement age of the members of the Executive Board is 67.

Pension compensation CFO

Reinier Walta participates in Vastned's pension scheme. As of 1 January 2015, the tax relief on pension accrual was adjusted based on new tax legislation, and now the maximum pensionable salary in any year¹⁾ is limited. It has been agreed with Reinier Walta that he will be compensated for this adjustment up to the level of the pension contribution which Vastned no longer has to pay in. The same scheme has been agreed with other Vastned employees.

The pension payment for Reinier Walta in 2018 amounted to € 21,574 for the part up to the maximum pensionable salary in that year. For the part above the maximum pensionable salary Reinier Walta received a compensation of € 30,786 in 2018. This pension compensation does not qualify as part of the fixed remuneration. In total the compensation amounted to € 52,360 (17% * € 308,000 (fixed remuneration)). Based on tax legislation, the partner pension under the pension scheme that is in effect in Vastned is also limited. The Vastned pension scheme in which the CFO participates also includes an invalidity pension.

Loans 2018

Vastned did not provide any loans or guarantees to members of the Executive Board in 2018.

¹⁾ As of 1 January 2018: € 105,075

2. Remuneration of the Supervisory Board

The remuneration system for the Supervisory Board adopted by the Annual General Meeting of Shareholders on 20 April 2017 has remained unchanged, and is as follows:

Chair	€ 48,000
Member (not chairmanship)	€ 36,000
• Supplement chairmanship audit and compliance committee	€ 7,750
• Supplement membership (not chairmanship) audit and compliance committee	€ 5,500
• Supplement chairmanship remuneration and compliance committee	€ 6,750
• Supplement membership (not chairmanship) remuneration and compliance committee	€ 4,750

All members also receive a fixed expense allowance for travel and accommodation of € 1,250 per year, excluding turnover tax.

Overview of the remuneration awarded to the Supervisory Board in 2018

The table below presents the remuneration awarded to the Supervisory Board in 2018 (€):

Name	Supervisory Board	A&C committee	R&N committee	Expense allowance	Total
Marc C. van Gelder ^{c)}	48,000	-	4,750	1,250	54,000
Jeroen B.J.M. Hunfeld	36,000	5,500	-	1,250	42,750
Charlotte M. Insinger	36,000	7,750	-	1,250	45,000
Marieke Bax	36,000	-	6,750	1,250	44,000
Total 2018	156,000	13,250	11,500	5,000	185,750

^{c)} Chairman