WOLTERS KLUWER N.V.

EXECUTIVE BOARD

REMUNERATION POLICY
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Introduction

In accordance with the implementation of the amended European Shareholder Rights Directive (SRD) in the Netherlands, the Supervisory Board, based on a recommendation of the Selection and Remuneration Committee, has prepared the remuneration policy of the Executive Board for adoption by the 2020 Annual General Meeting of Shareholders (AGM). Subject to adoption by the AGM, the remuneration policy, which will apply to the Executive Board members, will take (retro-active) effect from January 1, 2020 and is intended to remain in place for four years.

Policy objectives

The remuneration policy provides a structure that aligns compensation of the Executive Board members with the successful delivery of our long-term strategy. The key objectives of this policy are to:

a. Align rewards with individual and company performance;
b. Strengthen long-term commitment to the company;
c. Align with strategy, mission and values of the company and create long-term value for our stakeholders; and,
d. Attract, motivate, and retain the best executive management talent.

Reference for benchmarking

For remuneration benchmarking purposes, the Supervisory Board will consider market data for all elements of remuneration from companies of comparable size, complexity, industry or business profile, and international scope. The benchmark companies will be a group comprised of comparable organizations in Europe and the US, which takes into consideration the companies and geographic locations where Executive Board members might be recruited to or from. We consider it appropriate to include US based companies since the largest part of our revenues (2019: 61%) is generated in North America and since it is a key market for recruiting executive leadership talent. This pay peer group will be disclosed in the annual remuneration report.

Main changes

The main changes compared to the existing remuneration policy (which was adopted in 2004 by the AGM and amended in 2007 and 2011 following approval from the AGM) are as follows:

- Making the policy compliant with the Dutch legislation which implements the SRD,
- Proposing a predefined list of measures from which the Supervisory Board can annually select appropriate measures for the Short-Term Incentive Plan (STIP), instead of the current full flexibility
for the Supervisory Board, in order to balance flexibility for the Supervisory Board with transparency for the stakeholders about potential targets.

- Replacing diluted earnings per share (EPS) by diluted adjusted earnings per share as a Long-Term Incentive Plan (LTIP) measure in line with market practice (the other LTIP measure, relative Total Shareholder Return - TSR, remains in place). Diluted adjusted EPS is a key performance indicator to measure the performance of the business and is used by the company to guide investors on the outlook.
- Introducing a two-year holding period requirement upon vesting
- Introducing share ownership guideline requirements
- Enabling the Supervisory Board, in case of external recruitment of new members to the Executive Board, to compensate such new members for the loss of compensation they might face due to a transition of employment in order to be able to attract the best external talent.

Remuneration elements and pay philosophy

Our Executive Board remuneration is comprised of the following elements: a base salary, a short-term incentive paid annually in cash, a long-term incentive in the form of conditional rights on ordinary shares which is subject to a three-year vesting schedule, and retirements and other benefits. The variable, performance-based incentives are designed to be the largest component of remuneration, thereby strengthening the alignment between remuneration and company performance and reflecting the philosophy that Executive Board compensation should be linked to the strategy aimed at long-term value creation. Because of the applicable performance criteria and the fact that the LTIP is based on the performance over a three-year period, the remuneration policy contributes to the long-term interests and value creation of the company. The STIP targets are annually determined by the Supervisory Board and largely reflect the key performance indicators that the company reports about in its annual results, which are important measures of the successful execution of the company’s strategy. As such, the remuneration is directly linked to the strategy, performance and long-term interests of the company. The ability to set non-financial and key operational or strategic targets further contributes to alignment between the policy and sustainability as well as the company values, which are: Focus on customer success, Make it better, Aim high and deliver, and Win as a team. The Supervisory Board has also taken into consideration to which extent the variable remuneration might expose the company to risks, taking into consideration the overall risk profile and risk appetite of the company. The Supervisory Board believes that the remuneration policy provides management with good incentives to drive the innovative and performance-driven culture of the company and create long-term value, without increasing the overall risk profile of the company. This should contribute to achieving the mission of the company to empower our professional customers with the information, software solutions, and services they need to make critical decisions, achieve successful outcomes, and save time.

Base salary

The base salary provides the main fixed element of the remuneration package and is set at a market competitive level to attract and retain the calibre of executives required to devise and execute the strategy. Base salary is reviewed annually by the Supervisory Board. The Supervisory Board may consider various factors when determining any base salary changes, including the level of salary increases for Wolters Kluwer employees globally, benchmark data using the pay peer group, business performance, role scope, market practice in relevant countries, and individual contribution. The actual base salary and annual increases will be reported in the annual remuneration report.
The Supervisory Board considers the remuneration of employees and the average annual global increases important elements in determining the annual base salary increase for Executive Board members. Increases which are substantially in excess of those for Wolters Kluwer employees globally may be awarded in certain circumstances, such as a material change in the responsibility, size or complexity of the role, or if an Executive Board member’s base salary is below market based on benchmark information. In such circumstances, the Supervisory Board will provide the rationale for the increase in the relevant year’s remuneration report. For 2020, the Supervisory Board approved an increase in base salary for the Executive Board members of 2.5%, which is in line with the overall budgeted 2020 salary increase for Wolters Kluwer executives globally.

Short-Term Incentive Plan

The STIP provides the Executive Board members with a cash incentive for the achievement of specific annual goals that are aligned to the business strategy for value creation. Performance measures and targets for those measures are set by the Supervisory Board on an annual basis. The measures may include a balance of financial measures, key operational measures, and non-financial measures aligned to the strategic objectives of the company. Financial measures may include consolidated revenues, organic revenue growth, adjusted net profit, adjusted operating profit, adjusted operating profit margin, adjusted free cash flow, and the cash conversion ratio. Non-financial (environmental, social and governance related), or key operational or strategic measures could include: digital revenues as a percentage of total revenues, revenues from expert solutions as a percentage of total revenues, employee engagement scores, customer satisfaction scores, or energy consumption-based measures. Non-financial or key operational measures will be measurable and reported. The financial measures are key performance indicators to measure the successful execution of the company’s strategy aimed at long-term value creation. Through the combination of these financial measures with the non-financial measures and/or key operational or strategic measures, the STIP will contribute to the long-term interests and sustainability of the company. Performance measures and weighting may differ year on year reflecting the priorities of the business, but in any given year, a minimum of 60% of the measures will be based on financial criteria. Details of performance measures for each year and how they support the business strategy will be disclosed in the annual remuneration report.

After the end of each year the Supervisory Board reviews the performance of the Executive Board and determines the extent to which each of the targets has been achieved, in order to determine the final payout level. Payouts only take place after verification by the external auditor of the financial statements of the company, including the financial performance indicators on which the financial STIP targets are based. The maximum payout will only be payable if the actual performance for all individual measures exceeds 110% of target. There will be no payout for individual measures with results below 90% of target. Short-term incentive payments are in principle paid in cash only.

Consistent with the remuneration policy existing prior to 2020, the payout percentages that can be earned under the STIP depending on the performance are determined for each of the Executive Board members, reflecting relevant benchmark information and market practice. As such, the opportunity may differ for the respective Executive Board members. However, the maximum opportunity for Executive Board members in case of outperformance will not exceed 175% of base salary. The achievement of targets and payout levels will be reported in the annual remuneration report.
Long-Term Incentive Plan

The LTIP aligns the interests of executives with those of shareholders by granting shares to Executive Board members as a reward for delivery of long-term performance objectives and for creating value for stakeholders. Awards are made in the form of conditional rights on shares (Performance Shares). At the beginning of a three-year performance period a conditional award of Performance Shares is established. The conditional awards are based on a fixed percentage of base salary. The number of Performance Shares conditionally awarded at the start of the performance period is computed by dividing the amount calculated based on the fixed percentage of base salary by the fair value of Performance Shares at the start of the performance period. The maximum conditional award percentage at target will not exceed 285% of base salary.

The total number of shares that the Executive Board members will actually receive at the end of the three-year performance period depends on the achievement of predetermined performance conditions. For 50% of the target value of the conditional Performance Shares, the payout at the end of the performance period depends on Wolters Kluwer’s Total Shareholder Return (TSR) relative to a group of TSR peer companies (TSR related shares). For the other 50% of the target value of the Performance Shares conditionally awarded at the beginning of a three-year period, the payout at the end of the performance period will depend on a target based on diluted adjusted EPS (EPS Related Shares), different from the policy applied to share grants dating from prior to 2020 which used diluted EPS. Payout of the performance shares at the end of the three-year period will only take place after verification by the external auditor of the achievement of the TSR and EPS targets.

TSR peer group and incentive zones

TSR is calculated as the share price development over a three-year period including dividend reinvestment. By using a three-year performance period, there is a clear relation between remuneration and long-term value creation. The company uses a 60-day average of the share price at the beginning and end of each three-year performance period to reduce the influence of potential stock market volatility.

The TSR peer group consists of 15 companies selected by the Supervisory Board. In case of delisting of a peer group company, the Supervisory Board will carefully consider an appropriate replacement company. Criteria for selecting TSR peer group companies may include: industry, geographic focus, company size, company financial health, TSR correlation and volatility, and historical TSR performance. The TSR peer group will be disclosed in the annual remuneration report.

For the 2020-2022 LTIP cycle, the Supervisory Board has revised the TSR peer group as follows:

- Bureau Veritas SA
- Equifax Inc.
- Experian PLC
- IHS Markit Ltd.
- Informa PLC
- Intertek Group PLC
- John Wiley & Sons, Inc. – Class A
- News Corp. – Class A
- Pearson PLC
- Relx PLC
- S&P Global Inc.
- SGS SA
- The Sage Group PLC
- Thomson Reuters Corp.
- Verisk Analytics, Inc.
The Executive Board can earn 0-150% of the number of conditionally awarded TSR Related Shares at the end of the three-year performance period depending on Wolters Kluwer’s TSR performance compared to the peer group (TSR Ranking). There will be no payout for the Executive Board members with respect to TSR Related Shares if Wolters Kluwer ends below median (the eighth position) in the TSR Ranking, 150% for first or second position, 125% for third or fourth position, 100% for fifth or sixth position, and 75% payout for seventh or eighth position. These incentive zones are in line with best practice recommendations for the governance of long-term incentive plans. Three-year TSR targets provide incentives for the Executive Board members to drive long-term value creation and as such support the long-term interests and successful execution of the strategy.

**EPS Targets and payout schedules**

With respect to EPS Related Shares, the Executive Board members can earn 0-150% of the number of conditionally awarded EPS Shares, depending on Wolters Kluwer’s EPS performance over the three-year performance period. For calculation purposes the definition of diluted adjusted EPS as disclosed in the annual reports of Wolters Kluwer will be used. Diluted adjusted EPS is based on adjusted net profit, which is defined as follows: ‘Profit for the period from continuing operations attributable to the owner of the company, excluding the after-tax effect of non-benchmark items, amortization of acquired identifiable intangible assets, and impairments of goodwill and acquired identifiable intangible assets’.

The diluted adjusted EPS targets for each three-year performance period will be based on EPS growth (CAGR), considering the strategic plan. At the end of the three-year performance period, the Executive Board members will receive 100% of the number of conditionally awarded EPS Related Shares if the performance over the three-year period is on target. There will be no payout if the performance over the three-year period is less than 50% of the target. In case of overachievement of the target, the Executive Board members can earn up to a maximum of 150% of the conditionally awarded shares. The Supervisory Board determines the exact targets for the EPS Related Shares for each three-year performance period. The targets will be based on the diluted adjusted EPS performance in constant currencies, to exclude any positive or negative impact from exchange rate movements over which the Executive Board has no control. Appropriate diluted adjusted EPS targets provide incentives for the Executive Board members to drive long-term EPS performance, supporting the execution of the strategy aimed at long-term value creation.

**Retirements and other benefits**

The pensions and other benefits for which Executive Board members are eligible are intended to be competitive in the relevant market and may evolve year on year. Executive Board members are eligible for benefits such as health insurance, life insurance, a car, and to participate in whatever all-employee plans may be offered at any given point. Additional benefits and allowances may be offered in case of relocation or international assignment, such as relocation support, expatriation allowance, tax equalization, reimbursement for international schools, housing support, and other benefits which reflect local market practice. Retirement arrangements reflect relevant market practice. The Executive Board members participate in the applicable retirement benefit plans available to other executives in the country of employment. Executive Board members are also eligible to participate in whatever retiree medical plan the company has in place for other employees in the country of employment at that time.

Ms. McKinstry will receive a benefit from a now closed, frozen Defined Benefit Plan in the United States, similar to other US employees who were employed at the time when this plan was active.
Further information regarding the benefits and retirement arrangements for current Executive Board members are disclosed in the annual remuneration report and financial statements.

**Holding period requirement**

In addition to the three-year performance-based vesting, Performance Shares (net of taxes) will be subject to a two-year holding period requirement (starting with 2020-2022 LTIP cycle) as provided in the Dutch Corporate Governance Code. However, if the Executive Board member is eligible for a company sponsored deferral program and chooses to participate by deferring LTIP proceeds upon vesting, then the Executive Board member will be required to hold the remaining vested shares or a minimum of 50% of vested shares (net of taxes) whichever is higher for a two-year period.

**Share ownership guidelines**

The Supervisory Board believes that the Executive Board members will most effectively pursue the long-term interests of our shareholders if they are shareholders themselves. As a result, share ownership guidelines are being introduced. Our policy requires that the CEO maintains 3x base salary and other Executive Board members maintain 2x base salary to comply with this guideline. As per Q1 2020 our current Executive Board members are in compliance with this guideline. New Executive Board members will have a five-year period to comply with this guideline from their date of appointment.

**Claw-back and discretion**

In accordance with Dutch law, the Supervisory Board may adjust the outcome of variable compensation if the payout would, in its view, be unacceptable based on reasonability and fairness criteria. The company can claim back variable payments (in whole or in part) if the payout was based on incorrect information about the achievement of the targets. Any application of claw-back or discretion will be disclosed and explained in the annual remuneration report.
Relative proportion of the various pay elements

In accordance with the Dutch Corporate Governance Code, the Supervisory Board carried out scenario analyses when determining the structure and level of Executive Board remuneration. The charts below illustrate the absolute and relative proportions of remuneration at below threshold, target and maximum levels of performance.

Recruitment policy

When determining remuneration for a new Executive Board member, the Supervisory Board will consider the requirements of the role, the needs of the business, the relevant skills and experience of the individual and the relevant external market for talent.

Generally, the Supervisory Board will seek to align the new Executive Board member’s remuneration package to the remuneration policy. Base salary, incentive opportunities and retirement benefits will be determined in accordance with the policy. In case of external hires, the Supervisory Board may also determine to grant a sign-on-award in cash and/or shares, to compensate the loss of compensation that incoming Executive Board members would face upon a transfer of employment. Such sign-on award will be limited to a comparable value to the arrangements forfeited. When determining the terms of the sign-on award, the Supervisory Board may modify the terms, considering the structure, time horizons, value and performance targets associated with arrangements forfeited. The rationale and detail of any such award will be disclosed in the annual remuneration report.
Service contracts and termination payments

Service contracts

In line with the Dutch Corporate Governance Code, as policy, Executive Board members will be appointed for four-year terms. In 2017, the CFO was reappointed for a second four-year term. The existing contract for the CEO, who was appointed before the introduction of the first Dutch Corporate Governance Code and has an employment contract for an indefinite period, will be honoured.

Notice period

The maximum notice period for an Executive Board member will not exceed 180 days. Current notice periods range between 45 and 90 days for the CEO depending on the circumstances and 180 days for the CFO.

Termination payments

In accordance with the Dutch Corporate Governance Code, as policy, severance payments will be limited to one year’s base salary. In line with this policy, the CFO’s contract contains a severance payment of one year’s base salary. The contract for the CEO, which was entered prior to the introduction of the first Dutch Corporate Governance Code, will be honoured.

The contracts of the Executive Board members contain stipulations with respect to a change of control of the company. According to these stipulations, in case of a change of control, the Executive Board members will receive 100% of the number of conditional rights on shares awarded to them with respect to pending LTIP’s of which the performance period has not yet ended. In addition, Executive Board members are entitled to a cash severance equal to their severance arrangements if their employment would end following a change of control.

Incentive payments at the time of departure

The treatment of incentive awards will depend on the circumstances of departure.

Under the STIP, the Executive Board members will forfeit payout for the current cycle if not actively employed on the last day of the performance year. A prorated amount may be paid in the event of the Executive Board member’s death, disability or retirement. In the event of a change in control, STIP payments may still be paid but performance targets may be re-set.

Under the LTIP, the Executive Board members will forfeit their award if they are not actively employed on the date of vesting as a result of: (i) termination for cause and not for cause, (ii) voluntary resignation. A pro-rated vesting may occur in the event of the Executive Board member’s death, disability or retirement. In the event of a change in control, unvested shares will become fully vested. Full information on all outstanding but not yet vested LTIP plans for each of the Executive Board members are disclosed in the annual remuneration report and financial statements.

Decision-making process and stakeholder considerations

In accordance with the Dutch Corporate Governance Code, the Selection and Remuneration Committee prepares the decisions regarding revisions to the remuneration policy and the execution thereof. The
Supervisory Board seeks advice from an independent external remuneration committee advisor. Resolutions are always taken in the full Supervisory Board. In accordance with Dutch law, the remuneration policy will be submitted for adoption to the AGM at least every four years, as well as in case of material amendments to the policy.

When developing this policy and considering changes compared to the existing policy, the Supervisory Board considered the perspective and input from multiple stakeholders. The Supervisory Board considered the overall pay philosophy across the organization, and in accordance with the Dutch Corporate Governance Code, the Supervisory Board considered the pay ratio between the CEO pay and the average employee pay. The pay-ratio, as stated in the 2019 Remuneration Report, is calculated by dividing the total 2019 remuneration of the CEO by the average total remuneration of all employees worldwide. The Supervisory Board will monitor to which extent this pay-ratio will change over the years and take it into consideration while making remuneration decisions for the Executive Board. A constructive dialogue took place with the works council of the company. Based on this dialogue and the information provided, the works council did not see added value in rendering a formal advice. Additionally, the Supervisory Board has taken notice of the views of the Executive Board members on the structure and quantum of their remuneration as required by the Dutch Corporate Governance Code. Considering the views of the stakeholders and public opinion, the Supervisory Board aims at setting appropriate targets and has included appropriate caps for the variable pay elements in the policy, which should contribute to social support for the policy.