

Remuneration report

Remuneration policy for the Management Board

General

The remuneration policy for the Management Board is based on the principle that the remuneration must be in line with market practices and that the policy must enable Alliander to recruit and retain qualified and expert Management Board members. The current remuneration policy was adopted by the General Meeting of Shareholders in May 2004 and was last amended in April 2006.

The Supervisory Board is responsible for the implementation of the adopted remuneration policy for the Management Board. The Public and Semi-Public Sector Executives Pay (Standards) Act (WNT), which sets limits for the remuneration of senior executives within the public and semi-public sector, is not applicable to Alliander. However, the Supervisory Board is acutely aware of the evolving perceptions within society regarding remuneration in the public and semi-public sector. Against this background, the Supervisory Board finds it acceptable to cap the remuneration at 130% of a minister's remuneration. It is expected that this level of remuneration will be sufficient to maintain the quality of the company's management, which is of vital importance in the light of the radical changes facing the company as a consequence of the energy transition.

The members of Alliander's Management Board are also responsible for the business and operations management of network operator Liander. In this latter capacity, the members of the Management Board qualify as senior executives of Liander under the WNT. In view of this, the remuneration package for Liander is subject to a statutory pay cap. Total remuneration for Management Board members does not exceed the pay cap that has been introduced for Alliander.

The foregoing did not apply to Mr Van Lieshout, who stepped down from Alliander's Management Board as of 1 March 2019 and was an employee of the company until 1 July 2019. Finally, the Supervisory Board advocates the introduction of a sector-wide, multi-category remuneration code. The aim is to create a level playing field and ensure that all companies can compete with their peers on equal terms in the relevant labour market in terms of technological developments, complexity and required knowledge.

Procedure

The Supervisory Board draws up the remuneration policy for the members of the Management Board, based on advice from the Selection, Appointment and Remuneration Committee. The General Meeting of Shareholders of Alliander adopts the remuneration policy. Within the set remuneration policy, the Supervisory Board, again acting on the advice of the Selection, Appointment and Remuneration Committee, sets the actual remuneration package for each individual Management Board member.

Remuneration components

The total remuneration package for the Management Board members for 2019 consists of the following components:

- annual gross base salary
- pension benefits
- social security contributions and other benefits

Re 1. Annual gross base salary

Management Board members receive an annual gross base salary, including holiday allowance. The annual gross base salary is adjusted each year, insofar as permitted based on (and in compliance with) the agreed remuneration arrangements and existing internal and external rules and regulations.

Re 2. Pension benefits

Management Board members participate in the pension scheme of Stichting Pensioenfonds ABP as referred to in the collective labour agreement for network companies and applicable to all employees of Alliander. Since 1 January 2004, this has consisted entirely of an average-pay scheme. Management Board members pay an individual contribution to participate in the pension scheme.

Effective from 1 January 2015, the maximum pensionable salary has been equal to the permitted maximum under tax rules (€107,593 for 2019). This implies that no further pension is accrued over the part of the salary that exceeds €107,593.

Re 3. Social security contributions and other benefits

In addition to the social security contributions that are normally paid by the company, Management Board members are entitled to an employer's contribution to the premium for the group health insurance plan, contributions to the personal employee benefits budget and the use of a company car. In addition, the company has arranged accident and liability insurance for the benefit of the Management Board members. The company does not provide loans, advances or guarantees to members of the Management Board.

A restrictive policy is in place for positions outside the company: the Supervisory Board must approve any supervisory board membership or other paid position, including positions of an advisory or supervisory nature, while other positions outside the company must be reported in advance to the Supervisory Board. A Management Board member cannot hold more than two supervisory positions in large Dutch companies or large foundations. In addition, a Management Board member cannot be the chair of a supervisory body of a large Dutch company or large foundation.

Any remuneration received for other positions held pursuant to membership of Alliander's Management Board accrues wholly to the company. Remuneration for other positions not held pursuant to membership of Alliander's Management Board accrues to the Management Board member concerned, who is also liable for any tax consequences.

Other principles

Term of service

All members of the Management Board are employed by Alliander N.V. on the basis of an indefinite contract of employment.

Notice period and severance policy

Notice periods of three months for the Management Board members and six months for the company have been agreed with the Management Board members. If the company terminates a Management Board member's employment contract, other than for a compelling reason, it is company policy to award a severance payment of no more than one gross annual salary.

Under certain conditions, this one-off payment, provided it is recognised as such, is also made if a member of the Management Board resigns and cannot be reasonably required to continue the employment contract. Relevant examples include a permanent change to the policy regarding the Management Board member's position as a result of, for example, a merger, takeover, or restructuring.

Implementation of remuneration policy for the Management Board in 2019

General

In drawing up its proposal for the remuneration of the individual Management Board members, the Selection, Appointment and Remuneration Committee also took note of the views of the individual members of the Management Board regarding the level and structure of their own remuneration.

Re 1. Annual gross base salary

In the 2019 calendar year, Ms Thijssen's base salary amounted to €225,000, including 8% holiday allowance. Mr Van Lieshout's base salary paid until his retirement on 1 July 2019 amounted to €122,000, including 8% holiday allowance. The base salary paid to Mr Schut from 1 April 2019 amounted to €165,000, including 8% holiday pay, while Mr Bien's base salary from 7 October 2019 amounted to €51,000, also including 8% holiday pay.

Re 2. Pension benefits

Pension costs relate to standard pension contributions, which are based on the annual gross base pensionable salary, up to the permitted maximum of €107,593 under tax rules. The total pension contributions paid in the reporting year were €23,000 for Ms Thijssen and €12,000, €17,000, and €3,000 for Messrs Van Lieshout (until 1 July 2019), Schut (from 1 April 2019), and Bien (from 7 October 2019) respectively.

Re 3. Social security contributions and other benefits

In 2019, the total amount of social security contributions, the employer's contribution towards the premium for the health insurance plan, contributions to the personal employee benefits budget amounted to €13,000 for Ms Thijssen and €7,000, €10,000, and €3,000 for Messrs Van Lieshout (until 1 July 2019), Schut (from 1 April 2019), and Bien (from 7 October 2019) respectively.

Remuneration ratio

The median of the remuneration of all employees of Alliander set against the remuneration of the chair of the Management Board¹ results in the following remuneration ratios:

Management Board members	Ingrid Thijssen	Ingrid Thijssen
Ratio	2019	2018
Ratio	3.6	3.7

1 The other members of the Management Board were not included in this calculation because they were only in office for part of the year.

Principles:

- The calculation for both the chair of the Management Board and the employees was based on the following elements: base remuneration, employer's contribution towards pension, social security contributions and other applicable remuneration elements.

- Both full-time and part-time employees were included in the calculation.

Remuneration policy for the Supervisory Board

The remuneration of the Supervisory Board members is fixed and not dependent on the company's results. The remuneration was adopted by the General Meeting of Shareholders in 2011 and consists of a fixed annual gross amount for the chair and a fixed annual gross amount for the other members. The remunerations are adjusted yearly in line with the wage developments under the collective labour agreement for network companies. The members of the Supervisory Board are also entitled to an expense allowance. Alliander does not provide any personal loans, guarantees and so forth to the members of its Supervisory Board. Liability insurance has been taken out for the members of the Supervisory Board.

The WNT restricts the implementation of the remuneration policy as described above for the members of the Supervisory Board in their capacity as supervisors of the Liander network operator. Effective from 1 January 2015, the WNT has limited the maximum remuneration of the Supervisory Board chair and Supervisory Board members to 15% and 10% respectively of the maximum WNT limit applicable to Liander.

For an overview of the total remuneration awarded to the members of the Supervisory Board for 2019, see the notes to the consolidated financial statements.

WNT

Alliander is not governed by the WNT, but Liander N.V. is. The WNT requires companies to report on the remuneration of current and former senior executives. In addition, the WNT requests transparency on any remunerations of non-senior executive employees that exceed the set limit in the reporting year. The annual report of the network operator, which is to be published in the second quarter of 2020, will contain disclosures on the WNT requirements.