

Remuneration Report



Remuneration Report

Introduction

We are pleased to present the 2022 Remuneration Report. Overall, the Remuneration Committee (the "Committee") concluded that the Board of Management continued to deliver impressive results with respect to all aspects of the Company's short- and long-term value creation objectives in 2022. Such results were achieved despite significant headwinds including a new industry downturn, a rapid rise of global inflation, decelerating growth in China, increased geopolitical tensions between the US and China and ongoing pandemic disruptions and supply chain constraints. Besi, under the leadership of the Board of Management, responded quickly to changing market conditions by aligning its production and overhead in order to maintain peer leading financial performance. R&D spending increased significantly in 2022 to support new product development programs for Besi's wafer level portfolio and all other products. Hybrid bonding commercial production began in 2022 and additional orders were received in the fourth quarter for delivery in 2023, underscoring the promise of hybrid bonding for Besi's future business prospects and long-term sustainable value creation for shareholders. Significant progress continued on Besi's ESG agenda wherein targets set for 2022 were exceeded. In addition, we decreased our environmental footprint via reduced emissions intensity and relative decreases in waste, hazardous waste, energy consumption and water withdrawal. Finally, our commitment to shareholders was confirmed with a 132% increase in capital allocation in the form of dividends and share repurchases.

The advisory vote on the Remuneration Report 2021 did not receive the majority required at the 2022 AGM. As a result, we expanded our engagement with key stakeholders to better understand their views on remuneration and to solicit feedback on our Remuneration Report and the proposed Remuneration Policy 2024-2027. Such interactions were productive, led to positive dialogue and valuable feedback in crafting a new Remuneration Policy 2024-2027 and better aligned our policy with the best practices of the Dutch Corporate Governance Code.

The Supervisory Board seeks to achieve three broad goals in connection with Besi's Remuneration Policy and decisions regarding individual compensation:

- It structures the Company's remuneration programs in a manner that it believes will enable Besi to retain, motivate and attract executives who are capable of achieving its business objectives.
- It creates a performance-oriented environment for Company executives by linking remuneration to the achievement of specified business objectives or related to the member's particular business.
- It designs remuneration programs for the Board of Management well aligned with the interests of stakeholders by linking a portion of executive compensation with the long-term performance of Besi's ordinary shares.

The Supervisory Board also (i) reviews Besi's business and strategic objectives, (ii) undertakes risk assessments, (iii) assesses Besi's overall performance with respect to its business and strategic objectives and (iv) considers the performance of the individual member of the Board of Management versus specific business objectives. Based on these considerations, the Supervisory Board then determines a balanced mix between fixed and variable remuneration components. It also determines a set of key performance indicators linked to variable remuneration components that are aligned with Besi's business and strategic objectives.

In determining the remuneration of the Board of Management, the Committee assesses realized performance relative to Besi's strategy and Code of Conduct. The Committee also takes into account the impact of the overall remuneration of the Board of Management relative to pay differentials within the Company and obtains the views of the Board of Management with respect to the level and structure of remuneration. In addition, the Committee analyzes the possible outcomes of its variable remuneration elements and how they may affect the total remuneration of the Board of Management. In this respect, the Committee evaluates the development of the Company's underlying share price as well as other factors that create variable remuneration exposure such as the Company's financial performance, business, strategy and ESG execution. Variable remuneration is primarily linked to predetermined, assessable and quantifiable financial targets which are predominantly of a sustainable nature. It is also linked to Besi's strategy including associated business, financial and sustainability objectives, values, purpose and vision, all of which are aligned with long-term shareholder value creation.

In establishing remuneration for the Board of Management, the Supervisory Board consulted PwC, an external remuneration consultant, in carrying out its duties. In its evaluation of the efficacy of Besi's Remuneration Policy, the Supervisory Board asked PwC to conduct scenario analyses of the variable remuneration components under the policy including the usage of the Monte Carlo stochastic model for the expected Total Shareholder Return ("TSR") performance analysis. The probability of vesting and payout of the performance share awards have also been taken into account in the scenario analyses. The Supervisory Board has set the performance targets based on the outcome of the scenario analyses, pay differentials, the executive's position at Besi and its internal pay ratio. Furthermore, when drafting the remuneration proposal for the member of the Board of Management, the Supervisory Board annually considers the views of the member of the Board of Management with respect to the level and structure of his own remuneration. The member of the Board of Management is not present when the Committee discusses his fixed and variable pay components. The Supervisory Board also conducted a remuneration benchmark survey in 2022 prior to which it verified that the consultant selected did not similarly provide advice to the Board of Management so that no conflicts of interest existed.

Set forth below is a description of the circumstances contributing to compensation decisions of the Supervisory Board in 2022. It also includes our proposed Remuneration Policy 2024-2027 which seeks to meet shareholder expectations for simplification, additional transparency, defined performance metrics and quantum limits on total compensation. Key topics include an understanding of corporate and individual performance metrics underlying remuneration decisions and outreach undertaken to address shareholder dissent expressed. In addition, it details the current applicable Remuneration Policy 2020-2023 and describes how it was implemented during 2022.

Company performance

Set forth below is a table presenting Besi's key financial performance indicators for long-term value creation in 2022 versus 2021.

BESI VALUE CREATION 2022/2021

(€ millions, except otherwise stated)	2022	2021	Δ	Highlights
Revenue	722.9	749.3	-3.5%	<ul style="list-style-type: none"> Hybrid bonding orders accelerating. Significant new revenue potential Peer leading financial metrics Return on average equity above 38% despite renewed industry downturn Ranked #8 in Remuneration Reference Group of 19 companies Record shareholder distributions
Gross Margin	61.3%	59.6%	+1.7pts	
Net Income	240.6	282.4	-14.8%	
Net Margin	33.3%	37.7%	-4.4pts	
Return on Avg. Equity	38.6%	57.0%	-18.4pts	
Total Return	-20.0%	55.4%	NM	
Capital Allocation	416.3	179.5	+132%	

Other important factors contributing to value creation in 2022 included the following:

Expanded R&D investment in support of next generation assembly applications

- Gross R&D spending up 22% versus 2021 and up 66% since 2019.
- Next generations of current advanced packaging portfolio developed.
- TCB chip-to-wafer and embedded bridge die attach systems introduced.
- Hybrid bonding progress continues:
 - Broad based engagement with leading semiconductor manufacturers.
 - 35 hybrid bonders shipped to date.
 - Follow on orders received for delivery in 2023.

Strategic initiatives undertaken to help position Besi for future growth

- Strategic plan 2025 updated. Revenue goal of € 1 billion++ as well as increased market share at peer leading margins.
- Sub micron wafer level product portfolio organized under separate SVP.
- Increased development staff in Austria, Singapore, Taiwan and the US.
- Expanded cleanroom R&D and production facilities and began construction of a cleanroom in Singapore to accommodate future hybrid bonding process development and customer support.
- Increased capacity to 12-15 hybrid bonders per month in alignment with customer demand roadmaps for 2023-2026.
- Additional 125,000 square foot facility in Malaysia to facilitate future growth.
- Retrofitted existing Malaysian production facilities to better protect against potential climate change events such as flooding.
- Began work on tooling and support facility in Vietnam as Chinese-based customers intend to shift production to other Southeast Asian countries.

Significant progress achieved on ESG agenda

- Met or exceeded approximately 80% of all 2022 relative ESG targets set in 2020.
- Reduced Scope 1 & 2 and 3 emissions intensity by 64% and 14%.
- Relative reductions in fuel and hazardous waste.
- 76% of energy needs supplied by renewable sources, up from 20% in 2021.
- Completed 77% of ESG initiatives.
- "A" rating received from MSCI ESG Ratings.
- Included in AEX ESG index.
- Climate-related assessment completed. Further alignment with TCFD disclosure.
- New targets set for 2024-2030.

Peer leading financial metrics achieved in challenging business environment

- 2022 revenue and orders of € 722.9 million and € 663.7 million decreased by 3.5% and 29.3%, respectively, as industry downturn began in Q2-22.
- Production model aligned with changing market conditions:
 - Gross margins rose to 61.3%.
 - Operating and net margins achieved of 40%+ and 33%+, respectively.
 - Return on average equity of 38.6%.
- Net income of € 240.6 million versus € 282.4 million reached in 2021 industry peak.

Strong cash flow generation supports increased capital allocation to shareholders

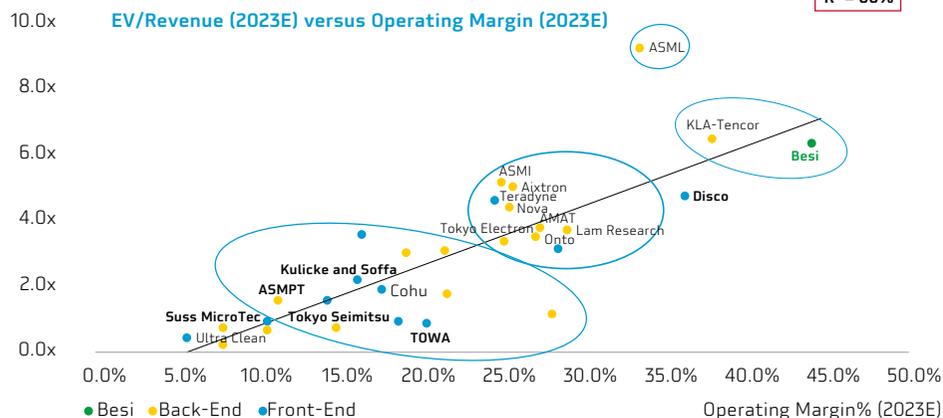
- Solid cash flow generation of € 271.9 million equal to 37.6% of revenue.
- Strong liquidity position with net cash of € 346.5 million.
- Capital allocation to shareholders (dividends and share repurchases) increased by 132% to € 416.3 million.
- Proposed 2022 dividend of € 2.85 per share. Pay-out ratio of approximately 93%. 90%+ dividend pay-out ratio since 2015.
- New € 300 million share buyback program initiated until October 2023.

2022 ESG HIGHLIGHTS

Process Pillar	2022 Target	2022 Progress
Environmental Impact 	<ul style="list-style-type: none"> • 15% reduction in Scope 1 & 2 emissions versus 2019 index. • 5% reduction in hazardous waste. • 25% energy from renewable sources. • Develop targets for sustainable design. 	<ul style="list-style-type: none"> • 64% reduction in Scope 1 & 2 emissions intensity versus 2021. • Relative and absolute reduction in hazardous waste. • Energy generated from renewable sources increased from 20% to 76%. • Initiative developed for 10% reduction in die attach platform energy consumption.
People Wellbeing 	<ul style="list-style-type: none"> • Increase % local managers to 85%. • Increase % female managers to 20%. • Increase training hours by 15%+. 	<ul style="list-style-type: none"> • Increased % local managers to 88%. • Achieved 20% female managers. • 19% increase in training hours.
Responsible Business 	<ul style="list-style-type: none"> • 70% Purchasing Volume to sign CFSI. • 75% Purchasing Volume to sign GWA. 	<ul style="list-style-type: none"> • 73% Purchasing Volume signed CFSI. • 77% signed GWA.

BESI PERFORMANCE/VALUATION IN UPPER QUARTILE OF ALL SEMICONDUCTOR EQUIPMENT COMPANIES

EV/Revenue (2023E)



Source: CapIQ and Morgan Stanley. All values calendarized as per year end December 2022

Shareholder dissent on remuneration

The Remuneration Policy for the Board of Management applicable for the years 2020 up to and including 2023 (the “Remuneration Policy 2020-2023”) was approved by the Annual General Meeting of Shareholders (“AGM”) on April 26, 2019. The Remuneration Policy 2020-2023 was developed in view of changes in legislation, market developments, external market best practices and best practice provisions of the Dutch Corporate Governance Code. During the AGM on April 30, 2021, certain amendments to the Remuneration Policy 2020-2023 were proposed for approval which received a simple majority of votes cast but did not receive the required threshold of 75% for approval under Dutch Law. In addition, shareholders were asked to provide an advisory vote on the Remuneration Report 2021 at the AGM on April 29, 2022. The advisory vote did not receive the required simple majority of votes cast.

After the outcome of the votes at the 2021 and 2022 AGMs, the Supervisory Board initiated shareholder engagement in order to better understand the expectations of our broad and geographically diverse shareholder base. As such, it retained external proxy and corporate governance advice to facilitate the engagement process and discussion. In addition, the Supervisory Board consulted extensively with shareholders in preparation for the 2023 AGM with specific outreach to approximately 25% of the issued share capital as well as proxy advisors.

In response to shareholder feedback, the Supervisory Board made adjustments to the application of the Remuneration Policy 2020-2023 in order to lower the quantum level of total compensation for the member of the Board of Management. In 2022, the Supervisory Board reduced the number of additional performance shares available for award to the member of the Board of Management (120,000 shares) by 42% given the substantial increase in the underlying price of Besi’s ordinary shares. This reduction was greater than the maximum potential downward adjustment of 20% stipulated in the Remuneration Policy 2020-2023.

The proposed Remuneration Policy 2024-2027 will increase transparency and certainty of the quantum payout with respect to compensation for the Board of Management by eliminating any discretionary share-based compensation and placing a cap on the total amount of compensation available for award to the member of the Board of Management relative to each of its principal components: base salary, short-term incentive compensation and long-term incentive compensation. In addition, it will better align Besi’s Remuneration Policy with market and EU best practices, reflect the significant growth of Besi’s business since 2019 and maintain the competitive alignment of executive compensation with semiconductor equipment peers in order to help attract, retain and motivate international talent.

Besi maintains an ongoing dialogue with its broader shareholder base and an active investor relations programs comprised of one-on-one investor calls, conferences and conversations with industry analysts on topics including Besi’s business development, prospects, ESG and corporate governance. The number and frequency of shareholder communications has increased significantly in recent years as more investors and industry analysts are interested in Besi’s market segment, business and progress. The increase has been due, in part, to significant changes in Besi’s scale, efficiency, profitability, market capitalization, shareholder composition and increased trading liquidity.

Proposal for new Remuneration Policy 2024-2027

A new Remuneration Policy 2024-2027 will be proposed to shareholders for approval at the 2023 AGM as a result of the upcoming expiration of the current Remuneration Policy 2020-2023, shareholder dissent expressed at the two most recent Besi AGMs and input received from outreach to shareholders and proxy advisors. The key principles underlying the new Remuneration Policy include (i) placing a cap on total compensation available to the member of the Board of Management in any given year, (ii) elimination of the discretionary element in share-based compensation, (iii) simplification of the remuneration structure, (iv) updating the current remuneration reference group to better reflect Besi's improved business and financial profile and (v) establishment of a minimum level of share ownership for members of the Board of Management. If adopted at the 2023 AGM, the Remuneration Policy 2024-2027 will take effect on January 1, 2024.

The Committee also sought an updated remuneration benchmarking peer group in the context of the new proposed Remuneration Policy. The rationale for a new peer group included (i) Besi's changed business and financial profile versus 2019, (ii) the need for a more representative group of companies with which we compete for talent, (iii) the addition of more European companies in the comparison to satisfy proxy advisors' geographical requirements and (iv) a desire to enhance the comparability of Besi's reference group on the basis of market capitalization. As such, we believe the new peer group meets shareholder expectations in several ways:

- It has been refined to focus on semiconductor equipment/semiconductor producers exclusively.
- The proportion of European companies has been increased from 50% to 67%.
- Besi now ranks above the median in terms of market capitalization. The Committee considers market capitalization as the most important parameter to compare, because the continuous focus on value creation is an integral part of Besi's strategy, more important than volume and size.

The new remuneration reference group represents an important component of our proposed Remuneration Policy 2024-2027 but is not a formal part of the policy. The composition of such group will be reviewed and amended by the Supervisory Board on a regular basis and may be updated to reflect any changes in Besi's business and financial profile or the business and profile of peer group constituent members. Any changes to the peer group will be disclosed in the subsequent annual Remuneration Report. Set forth below is the new remuneration reference group.

Company name	Avg. market cap € millions*	Country of HQ	GICS subindustry
BE Semiconductor Industries N.V.	4,724	Netherlands	Semiconductor Equipment
Aixtron SE	2,695	Germany	Semiconductor Equipment
ams Osram AG	2,622	Austria	Semiconductors
ASM International N.V.	13,662	Netherlands	Semiconductor Equipment
Elmos Semiconductor SE	863	Germany	Semiconductors
Entegris, Inc.	12,768	US	Semiconductor Equipment
FormFactor, Inc.	2,342	US	Semiconductor Equipment
KLA Corporation	45,558	US	Semiconductor Equipment
Kulicke and Soffa Industries, Inc.	2,553	Singapore	Semiconductor Equipment
NXP Semiconductors N.V.	40,550	Netherlands	Semiconductors
Siltronic AG	2,515	Germany	Semiconductor Equipment
SMA Solar Technology AG	1,581	Germany	Semiconductor Equipment
Soitec SA	5,382	France	Semiconductor Equipment
STMicroelectronics N.V.	32,740	Switzerland	Semiconductors
SUESS MicroTec SE	286	Germany	Semiconductor Equipment
Teradyne, Inc.	14,407	US	Semiconductor Equipment
25 th percentile	2,429		
Median	2,695		
75 th percentile	14,034		

* Average market capitalization for 2022.

In addition, Besi proposes to make the following key adjustments in the proposed Remuneration Policy 2024-2027:

- Adjustment of the composition of STI and LTI awards and limitation on the total compensation available for award to the Board of Management:
 - Elimination of discretionary, additional performance shares.
 - Increase of the STI target opportunity from 100% of base salary to 300% of base salary to partially compensate for the elimination of the additional performance shares.
- Adjustment of STI compensation to include both cash-based and share-based award components.
 - Share-based STI awards will be subject to a five-year holding period to ensure long-term shareholder alignment.
- Increase of LTI target and maximum opportunities from 175% of salary/150% of target to 200% of salary/200% of target to partially compensate for the elimination of the additional performance shares.

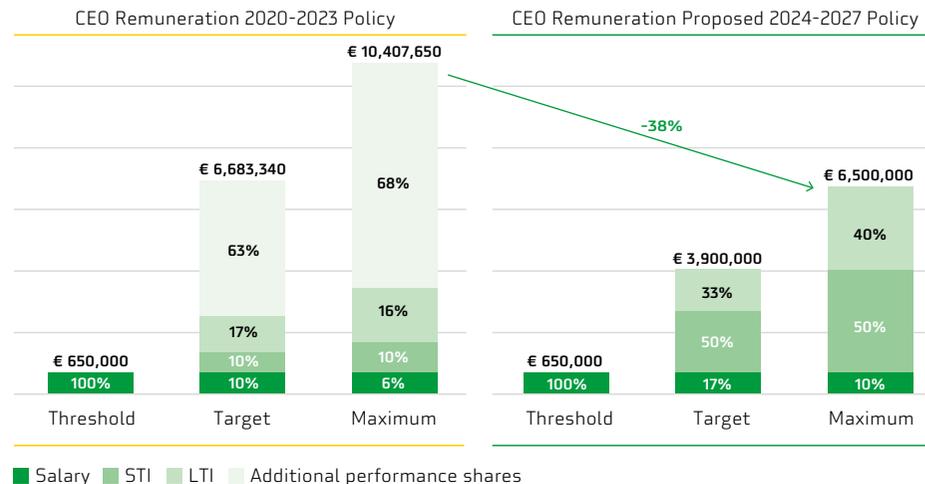
- Subject LTI awards to more defined, measurable and challenging financial and non-financial metrics in determining awards in accordance with Besi’s Strategic Plan.
- Placement of a cap on total compensation per annum available to the member of the Board of Management.
- Reduction of the total compensation available for payment to the member of the Board of Management by 38% versus the current Remuneration Policy 2020-2023 based on the average share price for 2022.
- Revision of the current remuneration reference group first established in 2011 to better reflect Besi’s improved business and financial profile, enhanced market presence, profitability and stock market capitalization as well as the global competitors against which we compete for talent.
- Establishment of a minimum level of share ownership for members of the Board of Management equal to three times the base salary of the Chairman of the Board of Management and two times the base salary for other members to better align the interests of the Board of Management with those of shareholders.

The total remuneration package and pay mix for the member of the Board of Management under the current Remuneration Policy 2020-2023 is established on an annual basis by the Supervisory Board upon proposal by the Committee. At present, it is comprised of five components based on the goals set forth below:

- Base Salary
- Benefits
- Pension
- Short-Term Incentive (annual performance-based cash bonus)
- Long-Term Incentive (annual conditional award of performance shares and additional performance share awards)

Set forth in the illustration below is a comparison of the principal incentive compensation components and potential compensation outcomes under the current Remuneration Policy 2020-2023 versus the proposed new Remuneration Policy 2024-2027. It highlights an approximate 38% reduction in the potential maximum remuneration (based on the average 2022 share price) which can be earned by the member of the Board of Management if the new Remuneration Policy 2024-2027 is adopted by shareholders at Besi’s 2023 AGM.

REMUNERATION OUTCOMES UNDER CURRENT VERSUS PROPOSED POLICY



* CEO remuneration excludes pension and other benefits and is based on € 650,000 base salary.

** The value of the additional performance shares is calculated based on the average share price over 2022 (€ 58.97) multiplied by 72,000 shares (60%) for at target performance and by 120,000 shares at maximum performance (and as reduced by shares vested for stretched LTI performance).

The following table sets forth a detailed comparison of the principal pay components involved in the current Remuneration Policy 2020-2023 versus the proposed new Remuneration Policy 2024-2027:

COMPARISON OF EXISTING VERSUS PROPOSED NEW STRUCTURE OF BOARD OF MANAGEMENT REMUNERATION

Pay Component	Current Remuneration Policy 2020-2023	Proposed Remuneration Policy 2024-2027	Main implications of proposed changes
Base Salary	<ul style="list-style-type: none"> Set by Supervisory Board based on median and 90th percentile levels of remuneration reference group. 	<ul style="list-style-type: none"> Set by Supervisory Board based on median and 90th percentile levels of remuneration reference group. 	<ul style="list-style-type: none"> No change.
Benefits	<ul style="list-style-type: none"> Expense compensation, medical insurance and social security premiums in accordance with generally prevailing market practice. 	<ul style="list-style-type: none"> Expense compensation, medical insurance and social security premiums in accordance with generally prevailing market practice. 	<ul style="list-style-type: none"> No change.
Pension	<ul style="list-style-type: none"> Different pension arrangements based on local customs and rules existing in the country of domicile. 	<ul style="list-style-type: none"> Different pension arrangements based on local customs and rules existing in the country of domicile. 	<ul style="list-style-type: none"> No change.
STI	<ul style="list-style-type: none"> STI based 70% on financial and 30% on non-financial measures including personal, strategic and ESG. STI paid-out in cash. Target STI of 100% of salary. Maximum STI of 150% of target. 	<ul style="list-style-type: none"> STI based 70% on financial and 30% on non-financial measures including personal, strategic and ESG. Target STI increased to 300% of salary consisting of two elements: cash-based and share-based (partly compensates for discontinuation of additional performance shares). Performance metrics selected annually by Supervisory Board from pre-defined list including: <ul style="list-style-type: none"> Net income, cash flow and return related metrics such as gross and net margins and ROAE. Non-financial metrics may include: ESG, business, strategic, customer and/or leadership, all of which will be measurable and formula based. Target for cash-based STI of 100% of salary. Maximum of 150% of target. Target for share-based STI of 200% of salary. Maximum of 175% of target. Share-based STI subject to five year holding period. 	<ul style="list-style-type: none"> Higher STI partially compensates for discontinuation of additional performance shares. Total STI target compensation will increase from 100% to 300%. $\frac{2}{3}$ of STI target compensation in the form of share-based compensation. Five-year holding period to ensure long-term shareholder alignment.

Pay Component	Current Remuneration Policy 2020-2023	Proposed Remuneration Policy 2024-2027	Main implications of proposed changes
LTI	<ul style="list-style-type: none"> Target LTI of 175% of salary. Maximum LTI of 150% of target. Paid in shares. Three-year performance period. 50% based on three-year Net Income as % of revenue. 50% based on relative TSR. Two-year lockup. 	<ul style="list-style-type: none"> Target LTI increased to 200% of salary. Maximum LTI increased to 200% of target. Paid in shares. Three-year performance period. 50% based on three-year Net Income as % of revenue. 50% based on relative TSR. Vesting for relative TSR will start only if Besi's TSR performance is at, or above, the peer group's median range. Two-year lockup. 	<ul style="list-style-type: none"> Aligned with best market practices. Higher LTI target and maximum opportunities partially compensates for discontinuation of additional performance shares.
Additional discretionary performance share awards	<ul style="list-style-type: none"> 0-120,000 shares for exceptional performance. Supervisory Board determines based on financial and strategic/ESG metrics. Immediate vesting. Five-year lockup. 	<ul style="list-style-type: none"> Discontinued. 	<ul style="list-style-type: none"> No discretionary element. Market-aligned remuneration structure. Reduction in target total compensation. Cap on total compensation.
Share ownership requirement	<ul style="list-style-type: none"> None. 	<ul style="list-style-type: none"> Three times base salary for the Chairman of the Board of Management. Two times base salary for other members of the Board of Management. 	<ul style="list-style-type: none"> Aligned with best market practices.
Remuneration Reference Group	<ul style="list-style-type: none"> Global peer group of 20 semiconductor/equipment and other industrial companies. Balanced mix – 50%-50% between Europe and non-European (US and Asian) companies. 	<ul style="list-style-type: none"> Global semiconductor industry-specific peer group of 15 semiconductor/equipment companies – most relevant business and talent competitors. Primarily European focus – 67% European/33% non-European. At median market capitalization rank. 	<ul style="list-style-type: none"> New reference group better aligned with Besi's business, size and competitive/talent landscape. Better aligned with European proxy advisors' views as to geographical mix.

Current Remuneration Policy 2020-2023

The following is a summary of Besi's existing Remuneration Policy. For more information, please see the [Remuneration Policy 2020-2023](#), adopted on April 26, 2019, which is available on our website.

Remuneration Reference Group

The components underlying the remuneration of the Board of Management are regularly compared to a remuneration reference group of companies selected based on industry, size, profitability, market capitalization and geography. The following companies are included in this remuneration reference group currently, as adjusted per annum for any acquisition or stock delisting related thereto.

Remuneration Reference Group

Aixtron SE	Jenoptik AG
AMG N.V.	Kendrion N.V.
ASM International N.V.	Kulicke & Soffa Industries, Inc.
Axcelis Technologies, Inc.	MTS Systems Corporation
Brooks Automation, Inc.	Siltronic AG
Cohu, Inc.	TKH Group N.V.
Corbion N.V.	Ultra Clean Holdings, Inc.
Entegris, Inc	Veeco Instruments, Inc.
Ichor Holdings, Inc.	Xperi Corporation
IMCD N.V.	

The composition of the remuneration reference group is reviewed by the Supervisory Board on a regular basis and updated, if necessary, to ensure an appropriate composition. Any changes to the composition of the remuneration reference group is subject to approval of the Annual General Meeting of Shareholders.

1. Base salary

Each year, the Supervisory Board reviews the annual base salary for the member of the Board of Management and considers whether to adjust his base salary level. The base salary of the member of the Board of Management is determined relative to the median and 90th percentile base salary levels of the remuneration reference group. The Supervisory Board also considers the historic salary levels of the individual and the nature of the individual's roles and responsibilities in positioning the base salary level relative to the remuneration reference group.

2. Benefits

Benefits awarded to the Board of Management such as expense compensation, medical insurance and social security premiums are linked to base pay and are in accordance with generally prevailing market practice.

3. Pension

Different pension arrangements are provided to the Board of Management based on their salaries, local customs and the rules existing in their countries of origin. A defined contribution scheme is in place for statutory directors, of whom the CEO is currently the only one. The pension contribution on behalf of the statutory director is based on a premium ladder as in effect from 2014 of which a portion is funded directly to his personal pension account as a tax-exempt contribution and the remaining balance is paid as a taxable pension allowance which can be used to build up his net pension on a voluntary basis.

4. Short-Term Incentive (annual performance-based cash bonus)

The annual cash bonus opportunity for the member of the Board of Management is linked to the achievement of two predetermined performance conditions which comprise net income as a percentage of revenue and personal performance goals set by the Supervisory Board on an annual basis. As such, the performance conditions incorporate financial, non-financial and ESG objectives according to the following performance/pay-out grid.

Performance versus payout

Metric and weighting as % of total award	At minimum performance (below threshold)	At target performance	At maximum performance
	as % of the individual's gross annual base salary		
Net income as % of revenue (70% of STI)	0%	70%	105%
Personal performance targets (30% of STI)	0%	30%	45%
Total annual bonus pay-out	0%	100%	150%

These two performance conditions are explained in more detail below:

- *Net income expressed as a percentage of revenue (70% of STI):*
The financial measure net income is preferred over other financial ratios for the Short-Term Incentive because net income is:
 - A key indicator in evaluating Besi's overall performance for the year and therefore an important contributor to shareholder value.
 - A key factor given the cyclical nature of the market in which Besi operates.
 - A financial measure that can be influenced by the member of the Board of Management.
 - A key component utilized to help determine Besi's stock market valuation.
- *Personal performance of the member of the Board of Management (30% of STI):*
The annual criteria used to measure the personal performance of the member of the Board of Management are at the sole discretion of the Supervisory Board. Each year, the Committee proposes to the Supervisory Board a set of specific goals for the member of the Board of Management based on a variety of business, strategic, financial and ESG targets considered important to Besi's achievement of sustainable value creation in the medium-term and long-term in alignment with the Company's strategic planning.

5. Long-Term Incentive (annual conditional award of performance shares and additional performance share awards)

The Long-Term Incentive for the member of the Board of Management consists of a conditional award of performance shares based on the achievement of predetermined objectives set by the Supervisory Board over a three-year performance period, subject to continued service. The performance metrics utilized as the basis for this award include:

- *Net income as a percentage of revenue over three calendar years (50% of LTI):*
Net income as a percentage of revenue over a three-year performance period is considered a key measure for creating sustainable long-term shareholder value.
- *Relative Total Shareholder Return ("TSR") over three calendar years (50% of LTI):*
The TSR over a three-year performance period is also considered a key measure for determining the development of shareholder value and Besi's relative share price performance versus peers in the semiconductor equipment industry. It is also an appropriate performance measure to align the interests of the Board of Management with those of shareholders. This metric measures the development of Besi's share price, including the reinvestment of dividends, over a three-year performance period as compared to a comparator group of 19 publicly listed companies operating in the semiconductor equipment industry. Three-month share price averaging is applied at the start and at the end of the TSR performance period. The composition of the comparator group will be reviewed and adjusted by the Supervisory Board if circumstances arise which could affect the comparability of the companies involved, particularly in the event

of a merger, acquisition or material change of business. Adjustments to the comparator group, including replacements, will be based on predetermined internal guidelines. The TSR comparator group currently consists of the following companies:

TSR comparator group

Aixtron SE	Lam Research Corporation
Applied Materials, Inc.	MKS Instruments, Inc. ¹
ASM International N.V.	Nova Ltd.
ASML Holding N.V.	Onto Innovation, Inc.
ASM Pacific Technology Ltd.	FormFactor, Inc.
Axcelis Technologies, Inc.	SÜSS MicroTec SE
Cohu, Inc.	Tokyo Electron Ltd.
DISCO Corporation	Tokyo Seimitsu Co., Ltd.
Entegris, Inc.	Veeco Instruments, Inc.
Kulicke & Soffa Industries, Inc.	

¹ Brooks Automation, Inc. divested its semiconductor solutions group in 2021. As a result, it was replaced by MKS Instruments Inc. in 2022.

Conditional award

The at target number of performance shares conditionally awarded will be determined by the Supervisory Board based on a ratio equal to (i) 175% of the individual's gross annual base salary divided by (ii) the average closing price of Besi's shares for all trading days in the calendar quarter immediately preceding the start of the three-year performance period.

Vesting of performance shares

The vesting of performance shares awarded will be determined at the end of the three-year performance period depending on Besi's actual performance during such period according to the following grid:

Performance versus payout

Metric and weighting as% of total award	At minimum performance (below threshold)	At target performance	At maximum performance
	as % of the individual's gross annual base salary		
Net income as % of revenue (50% of LTI)	0%	50%	75%
Relative TSR performance (50% of LTI)	0%	50%	75%
Total number of shares vesting	0%	100%	150%

As shown in the table above, 50% of the vesting of the conditional awards is linked to Besi's net income relative to its revenue over a three-year performance period. The other half is linked to Besi's relative TSR performance over a three-year performance period. The performance shares awarded from 2020 onwards subject to Besi's TSR performance are based on the actual absolute ranking of Besi within the comparator group. In addition, vested shares are subject to a two-year lock-up period which means that the member of the Board of Management will have to retain such shares for two years following the vesting date. However, he will be allowed to sell shares sufficient to cover any income tax liability resulting from the vesting of performance shares.

Vesting is determined based on the following schedule whereby straight-line vesting percentages are applied on a pro rata basis between ranks 3 and 12 for awards made as from 2020:

Besi TSR ranking relative to comparator group	Vesting percentage
Top 3	75%
Rank 6	50% (at target)
Rank 12	25%
Rank 13 - Rank 20	0%

Performance adjustment

For awards granted in 2019 and which vest in 2022, the Supervisory Board may at its absolute discretion upwardly or downwardly adjust by a maximum 20% the number of performance shares awarded. This discretionary performance adjustment may be applied to reflect the Company's overall performance and market developments and further align the interests of the Board of Management with those of shareholders. In accordance with the Remuneration Policy 2020-2023, this performance adjustment was eliminated for performance shares granted as from 2020 onwards.

Clawback and ultimate remedium

The Short-Term Incentive and Long-Term Incentive components for the Board of Management are subject to clawback provisions. In addition, risk assessment tests are in place and measures are included in the variable remuneration documentation for the Board of Management to ensure that shareholders' interests are protected. In this respect, the Supervisory Board holds the discretionary authority to reclaim all or part of the Short-Term Incentive and Long-Term Incentive if such variable remuneration was made based on incorrect financial data or other data or in the case of fraud, gross negligence, willful misconduct or any activity detrimental to the Company. This clawback is applicable to both the vested and unvested part of the Long-Term Incentive components.

The Short-Term Incentive and Long-Term Incentive components for the Board of Management are also subject to ultimate remedium clauses under which the Supervisory Board can adjust the value of the conditional variable remuneration components downwards as well as upwards. The adjustment can be made if the Supervisory Board is of the opinion that an unfair result would be produced due to extraordinary circumstances.

Additional performance share awards

The Supervisory Board may, at its absolute discretion and upon the recommendation of the Committee, award up to a maximum of 120,000 additional performance shares to the Board of Management in the event of extraordinary achievements or exceptional performance during a fiscal year. Market developments and the views of society are also considered in addition to the performance of the Company and the Board of Management.

If the number of Long-Term Incentive performance shares awarded under the policy vest between at target and maximum performance levels (stretched performance), such Performance Shares related to stretched performance levels will be included as part of the maximum 120,000 additional performance shares that can be awarded to members of the Board of Management at the discretion of the Supervisory Board. In addition, the Supervisory Board has the right to downwardly adjust the number of additional performance shares awarded to the Board of Management by up to a maximum of 20% in case of a market downturn or a high underlying share price.

Additional performance shares awarded vest immediately but are subject to a five-year lock-up period, which means that the Board of Management will have to retain them for five years following the award date. However, the Board of Management is allowed to sell shares sufficient to cover any income tax liability arising from the vesting of additional performance shares. Additional performance share awards may also be subject to additional terms and conditions as determined by the Supervisory Board.

Number of shares available

The aggregate total number of performance shares available under Besi's Long-Term Incentive arrangement (for all participants including the Board of Management) shall not exceed 1.5% of the total number of outstanding shares at December 31 of the year prior to the year in which the performance shares are awarded.

Loans

As a matter of policy, the Company does not provide loans to members of the Board of Management.

Employment contracts/service contracts

Service contracts with any new member of the Board of Management will in principle be entered into for a period of four years. Existing employment contracts for members of the Board of Management with an indefinite period of time will not be replaced by contracts with a limited period or by contracts with different conditions. The current notice period applicable to the member of the Board of Management is six months.

Severance payment

In the event of dismissal, the remuneration paid to members of the Board of Management may not exceed the individual's gross annual base salary (fixed component). If the maximum of one-year's base salary would be manifestly unreasonable for a member of the Board of Management who is dismissed during his first term of office, such member of the Board of Management shall be eligible for severance pay not exceeding two times their annual base salary.

Application of the Remuneration Policy 2020-2023 in 2022

The Supervisory Board, upon the recommendation of the Committee, applied the Remuneration Policy in 2022 without exception as set forth below. The only member of the Board of Management in 2022 was Richard W. Blickman, Besi's CEO.

1. Base salary

The base salary of the CEO is reviewed annually taking into consideration the remuneration reference group. The Supervisory Board, upon the recommendation of the Committee, decided that the 2022 base salary of the CEO would remain unchanged at € 600,000, equal to the base salary applicable for the past four years (2018-2021).

At the end of 2022, the base salary of the CEO was reviewed, taking into consideration the remuneration reference group as well as developments within the Company and within the industry. The Committee analyzed and considered the outcome of this review and recommended to the Supervisory Board a base salary set between the median and 90th percentile levels of the remuneration reference group. The Supervisory Board, upon the recommendation of the Committee, decided to increase the 2023 base salary of the CEO from € 600,000 to € 650,000. The Committee considered an 8.3% salary increase reasonable particularly given that the CEO's base salary of € 600,000 has not been increased since 2018.

2. Benefits

Other benefits include expense compensation, medical insurance and social security premiums.

3. Pension

Since the CEO has reached the applicable retirement age in the Netherlands, contributions to significantly all of his pension plans have terminated. The pension contribution is based on the premium ladder in the policy (32% of base salary) and is paid as a taxable pension allowance.

4. Short-Term Incentive (annual performance-based cash bonus)

The Short-Term Incentive awarded to the member of the Board of Management is based on the following predetermined performance conditions: (i) net income as a percentage of revenue and (ii) personal performance of the member of the Board of Management relative to certain non-financial and ESG goals of importance for 2022. The Committee reviewed at year end the quality of the predetermined financial, non-financial and ESG performance goals and the sustainable value delivered with respect thereto in determining the Short-Term Incentive awarded for 2022.

As a result, the total annual cash bonus for the member of the Board of Management was as follows:

Metric and weighting as % of total award	Payout (€)
Net income as % of revenue (70% of STI)	630,000
Personal performance targets (30% of STI)	270,000
Total annual bonus pay-out	900,000

(a) Net income as a percentage of revenue (70% of STI)

The targets set for the 'net income expressed as a percentage of revenue' metric are as follows:

Metric and weighting as % of total award	At minimum performance (below threshold)	At target performance	At maximum performance
	as % of the individual's gross annual base salary		
Net income as % of revenue (70% of STI)	0%	70%	105%
Personal performance targets (30% of STI)	0%	30%	45%
Total number of shares vesting	0%	100%	150%

Outcome

Target	Net Income as % of revenue	Vesting Schedule
Minimum	<5%	0%
Target	5-14%	0-70%
Maximum	14-22%	70-105%
Actual NIR/STI payout	33.3%	105%

Besi's 2022 net income as a percentage of revenue was 33.3%, well above the maximum pre-defined target range of 22%. As a result, upon the recommendation by the Committee, the Supervisory Board awarded the member of the Board of Management a cash bonus equal to 105% of his annual base salary, or € 630,000, for this financial performance condition.

(b) Personal performance of the member of the Board of Management (30% of STI)

The Committee reviewed the performance realized by the member of the Board of Management with respect to five equally weighted and pre-defined personal, non-financial and ESG performance objectives representing 30% of the potential total STI cash bonus. These five pre-defined personal, non-financial and ESG performance objectives are set forth below along with achievements against such objectives in 2022:

Pre-defined performance objectives	Weighting	Achievements / Overachievements 2022
<ul style="list-style-type: none"> Update Besi's Strategic Review 2021-2025 and the initiatives related thereto. Identify resources, expenditures and time scale to carry out these initiatives and review quarterly with the Supervisory Board. The Strategic Review should include competitive analysis. 	20%	<ul style="list-style-type: none"> New strategic initiatives developed. Progress against strategic plan initiatives highlighted at Supervisory Board meetings. Bi-weekly management reviews conducted on progress against strategic initiative. New organization structure implemented for Sub Micron Die Attach. Recruited senior personnel to manage. New 125,000 square foot facility in Malaysia completed to facilitate growth of hybrid bonding and wafer level assembly. Singapore cleanroom process support facility established. To be completed in 2023 to offer hybrid bonding and chip wafer process support/product development to Asian customers. Tooling and support facility in Vietnam underway following customer moves to new Southeast Asian locations. Malaysian facilities retrofitted to help mitigate risk of future flooding. Peer leading financial metrics maintained versus direct peers.
<ul style="list-style-type: none"> Define and investigate potential M&A roadmap; big picture and adding additional products. 	20%	<ul style="list-style-type: none"> Several deep dives performed on potential M&A candidates.
<ul style="list-style-type: none"> Implement Management Development and Succession Planning for CEO, management team and key staff, including top performers. Review with the Supervisory Board. 	20%	<ul style="list-style-type: none"> Overall management succession plan reviewed bi-annually including key staff related thereto. No vacancies in senior management at year end 2022. Specific succession topics and planning for the Board of Management and management team members discussed with Supervisory Board.

Pre-defined performance objectives	Weighting	Achievements / Overachievements 2022
<ul style="list-style-type: none"> Implement the 2022 R&D programs (below 10 nm) for major customers. Continue to assess requirement, timescales and expenditure and report regularly on these important programs. Include assessment of account penetration. 	20%	<ul style="list-style-type: none"> Successfully ramped gross R&D spending by 22% in 2022 and by 66% since 2019. Expanded R&D personnel (fixed and temporary) by 5% in 2022 and 27% since 2019. Successfully ramped hybrid bonding production at a customer in second half of 2022. Successfully increased hybrid bonding yields from ~40% to ~80% by year end. Shipped 35 hybrid bonders to customers since 2021. Additional orders for 11 hybrid bonding systems received in Q4. Next generation 100 nm accuracy hybrid bonding system to be delivered for qualification in 2023. First hybrid bonders being developed for incorporation in integrated production lines. Next generation TCB chip to wafer system developed. Introduced in Q4-22. Embedded bridge die attach systems introduced to market. First shipments to customer.
<ul style="list-style-type: none"> Further enhance environmental, social and corporate governance and sustainability strategy as presented in our Annual Report 2021. 	20%	<ul style="list-style-type: none"> Successfully integrated ESG in Annual Report. Hired external consultant to improve ESG reporting in 2022 Annual Report. Met or exceeded approximately 80% of all relative 2022 ESG targets set in 2020. Reduced Scope 1 & 2 and 3 emissions intensity by 64% and 14%. Relative reductions in fuel and hazardous waste. Completed 77% of ESG initiatives developed in 2020. "A" Rating from MSCI ESG Ratings, up from "BBB" in 2021. Included in AEX ESG Index. Sustainalytics ESG Risk rating improved to 15.3 versus 17.9 in 2021. Malaysian Ministry of Energy named Besi winner of Energy Performance Contracting Award. Retrofitted Malaysian facilities to help prevent future flooding events. Increased % of energy generated by renewable sources from 20% to 76%. Planned 10% reduction in energy consumption for die attach platforms as result of sustainable design collaboration with University of Lucerne (Switzerland). Climate assessment completed. Further alignment with TCFD. Set new targets for 2024-2030 based on 2022 performance.
TOTAL	100%	

During 2022, the Committee regularly reviewed the progress of the pre-defined personal, non-financial and ESG performance objectives including the assessment of new initiatives developed during the year. The effectiveness and progress of the objectives set were tested and monitored by the Supervisory Board during the year based on the strategic updates provided. An overall assessment was also completed after year end 2022 including a review of customer satisfaction, strategic plan execution and effectiveness, ESG progress and cost reduction initiatives achieved.

Based on this review and upon the recommendation by the Committee, the Supervisory Board decided to award the member of the Board of Management a cash bonus related to his personal performance equal to 45% of his annual base salary for 2022, or € 270,000.

Total Short-term Incentive

The sum of the financial and non-financial components, including ESG targets, comprising the total cash bonus for the year 2022 equaled € 900,000, or 150% of the annual base salary of the member of the Board of Management. The Supervisory Board, upon the recommendation of the Committee, unanimously agreed on such cash bonus based on the Company's peer leading revenue, net income and cash flow development and efficiency in the face of a renewed industry downturn as well as its return on average equity, relative share price development, increased capital allocation, strategic plan execution, peer leading financial metrics and progress on ESG and sustainability goals.

5. Long-Term Incentive (annual conditional award of performance shares)

Grants of LTI shares

The at target number of conditional performance shares awarded was calculated based on 175% of the gross annual base salary of the member of the Board of Management divided by the average closing share price for all trading days in the last calendar quarter of the year immediately preceding the start of the three-year performance period. The number of shares that will actually vest will be based on the following predetermined performance conditions:

- (i) Net income as a percentage of revenue over three calendar years (50% of LTI).
- (ii) Besi's share price development including the reinvestment of dividends during a three-year performance period versus the TSR comparator group of 19 listed companies operating in the semiconductor equipment industry (50% of LTI).

The Long-Term Incentive is subject to continued employment. Outstanding conditional grants, made on annual basis are as follows:

Conditional grants outstanding as of December 31, 2022	Performance period		
	2020-2022	2021-2023	2022-2024
Conditionally awarded at target	31,920	25,143	13,927
Average share price Q4 preceding year (€)	32.8945	41.7606	75.3924
Year of vesting	2023	2024	2025
Range of shares potential vesting (0-150%)	0-47,880	0-37,715	0-20,891

Vesting of LTI shares

The vesting of LTI shares (conditional performance shares) for the member of the Board of Management for the 2020-2022 period was based on the following factors:

- (i) Net income as percentage of revenue over the three-year performance period of 34.4% overachieved the maximum pre-defined target of 15% resulting in a vesting of 75% of performance shares associated with this portion of the award (50% of the LTI).
- (ii) Besi ranked eighth within the TSR comparator group resulting in a vesting of 41.67% associated with this portion of the award (50% of the LTI).

Target	Net Income as % of revenue over 3 years (50% of LTI)	Vesting percentage	Besi TSR ranking relative to comparator group (50% of LTI)	Vesting percentage*	Total LTI award vested
Minimum	< 5%	0%	Top 3	75%	
Target	5%-11.7%	0-50%	Rank 6	50%	
Maximum	11.7%-15%	50-75%	Rank 12	25%	
			Rank 13 - 20	0%	
Actual	34.4%	75%	Rank 8	41.67%	116.67%

* Vesting percentage based on linear extrapolation between Top 3, Rank 6 and Rank 12 levels.

As a result, 116.7% of the 31,920 shares (37,241 shares) related to the 2020 performance share award will vest on April 26, 2023, subject to the member of the Board of Management's continued employment until such date. The vested shares are subject to a two-year lock-up period except for those shares necessary to be sold to cover any withholding/income tax liabilities arising therefrom.

The following table presents a summary of the applicable performance incentive zones and performance realized for both the STI and LTI awards in 2022:

BESI SHARE PRICE OVER LTI PERIOD



Executive	Performance criteria applicable for STI and LTI	Relative weighting	Performance incentive zones (as % of base salary)				
			Threshold levels	Target levels and corresponding award	Maximum performance levels and corresponding award	Performance realized and actual award outcome 2022	
R.W. Blickman, CEO	STI	Net income as % of revenue ("NIR")	70%	Below threshold (0%); vesting starting at threshold levels	Target performance (70%); € 420,000	Maximum performance (105%); € 630,000	Maximum performance (105%); € 630,000
		Personal performance (see above)	30%	Below threshold (0%); vesting starting at threshold levels	Target performance (30%); € 180,000	Maximum performance (45%); € 270,000	Maximum performance (45%); € 270,000
	LTI	Net income as % of revenue	50%	At threshold (25%); 0 shares Below threshold (0%)	At target (50%); 15,960 shares	Maximum performance (75%); 23,940 shares	Vesting at maximum level (75%); 23,940 shares
		Relative Total Shareholder Return (performance incentive zone depending on actual ranking of Besi in reference group, see above)	50%	At threshold (25%); 7,980 shares Below threshold (0%)	At target (50%); 15,960 shares	Maximum performance (75%); 23,940 shares	Vesting at rank 8 level (41.7%); 13,301 shares
		Additional performance shares (see below)				70,000 shares	

Additional performance share awards for the member of the Board of Management

Under the Remuneration Policy 2020-2023, the Supervisory Board may, upon recommendation of the Committee, award additional performance shares to the member of the Board of Management for extraordinary achievements or exceptional performance in the prior year, up to a maximum of 120,000 shares. In January 2022, the Supervisory Board awarded the member of the Board of Management 70,000 additional performance shares for achievements realized in 2021. This award was made following the review, inter alia, of quantitative and qualitative financial and strategic/non-financial performance criteria applied for determining whether overperformance was achieved.

The financial criteria used to determine exceptional performance in a particular year represent a broader and more challenging set of financial targets than Besi's STI and LTI financial criteria including Return on Average Equity ("ROAE") and Cash Flow from Operations ("CFO")/Revenue in addition to Net Margin ("Net Income/Revenue"). They represent 90% of the total potential additional performance share award and are based on exceeding thresholds for each of 1 and 3 year average periods. Such criteria are set forth below:

Measure	Performance versus payout for one year and three year average periods			2021 performance	
	No award	50%+ award (pro-rata)	100% max award	1 year	3 year average
Net margin (X% of award)	< 20%	≥ 20% < 25%	≥ 25%	37.7%	32.2%
ROAE (X% of award)	< 20%	≥ 20% < 25%	≥ 25%	57.0%	42.6%
CFO/Revenue (X% of award)	< 25%	≥ 25% < 30%	≥ 30%	37.1%	36.4%

¹ Net margin defined as Net Income/Revenue. ROAE defined as Return on Average Equity. CFO/Revenue defined as Cashflow from Operations/Revenue.

The actual performance metrics achieved were as follows:

Based on the actual performance achieved in 2021 relative to the metrics defined, 90% of the maximum potential award of 120,000 shares (108,000 shares) was available to be awarded to the member of the Board of Management in January 2022. The award of additional performance shares was also made due to the recognition of the following other important business factors:

- Exceptional performance above STI and LTI targets.
- Revenue growth of 72.8% over 2020 even despite the significant influence of the pandemic on semiconductor supply chains.
- Achievement of peer and industry leading gross and net margins of 59.6% and 37.7%, respectively, and return on average equity of 57.0%.
- Continued maintenance of the significant performance gap between Besi and its peers in terms of key financial metrics such as gross margin, net margin, average return on equity and cash flow generation relative to revenue even despite adverse pandemic influences.
- Update of Besi's strategic plan covering the period 2021-2025 with a third-party consulting firm including important new initiatives to better position our revenue streams for future growth, particularly with respect to the advancement of our wafer level assembly ambitions.

Based on the actual performance relative to the strategic/ESG objectives set for 2021, 10% of the maximum potential award of 120,000 shares (12,000 shares) was available to be awarded to the member of the Board of Management in January 2022.

The Committee reviewed the performance realized by the member of the Board of Management with respect to four equally weighted and pre-defined personal, non-financial and ESG performance objectives representing 10% of the potential award of 120,000 shares. These four pre-defined personal, non-financial and ESG performance objectives were:

Pre-defined performance objectives	Weighting	Achievements / Overachievements 2021
<ul style="list-style-type: none"> Progress on product strategy 	25%	<ul style="list-style-type: none"> Gross R&D investment increased by € 10.6 million versus 2020. 14% increase in R&D personnel primarily for wafer level assembly efforts. First orders received ahead of schedule for hybrid bonding. Significant resource investment to pursue EMIB and next generation TCB to expand wafer level product portfolio. Successful launch of DB2100-hsiX. First customer acceptance of AMS-X with additional orders received. Increased plating orders by 250% in 2021. Expanded customer base in Asia.
<ul style="list-style-type: none"> Capital allocation - optimize shareholder value through dividends, share repurchases, acquisitions and external financing 	25%	<ul style="list-style-type: none"> Significant long term value creation achieved for benefit of shareholders. Capital allocation plan in form of dividends of share repurchases of € 920 million since 2011. € 179.5 million distributed in 2021, increase of 97% versus 2020. Increased share repurchase program by € 60 million to € 185 million. Peer leading return on average equity of 57.0% in 2021 versus 39.5% in 2020. 5 year average return on average equity of 41% based on organic growth and effective capital allocation program. Share price appreciation of 51% in 2021, 306% past three years and 374% past five years. Significant outperformance versus direct peers, Besi's remuneration reference group and SOX index. Market capitalization increased by 62% to € 5.8 billion in 2021 versus 2020 and 330% over past three years. Shareholder value also enhanced with significantly greater shareholder outreach including expanded number of investor conferences at leading global brokerage and increased international research coverage.
<ul style="list-style-type: none"> People wellbeing - diversity and inclusion, employee health and safety, employee development and engagement 	25%	<ul style="list-style-type: none"> Female managers as % of FTE managers increased from 16% in 2020 to 18% in 2021. Local managers as % of FTE managers increased from 85% in 2020 to 87% in 2021. Two safety incidents reported. No fatalities nor serious first aid cases. No legal proceedings related to health and safety incidents in 2021. COVID-19 protocols associated with personal interaction and hygiene still in place across operations. Vaccination programs rolled out at all Besi facilities. Global COVID-19 Pulse Survey carried out by Willis Towers Watson, an external consultant. Survey indicated high level of participation (94%) and high level of engagement (90%). Employees also had a strong understanding and motivation to contribute to Besi's business and ESG objectives and felt they were well supported from a safety standpoint during the pandemic. Monthly open-door meetings with management introduced at Besi Netherlands.

Pre-defined performance objectives	Weighting	Achievements / Overachievements 2021
<ul style="list-style-type: none"> Responsible business - ethics and compliance, responsible supply chain, community impact, tax practices 	25%	<ul style="list-style-type: none"> No reported violations of Besi's Code of Conduct. Training provided at our Asian production facilities. 59% of Purchasing Volume ("PV") audited. 63% of PV signed SAQ with respect to our Code of Conduct (+1%). 64% of PV signed GWA or GPC (equal to 2020). 66% of PV signed CFSI (+2%). Supported local charities during the pandemic. Community outreach was limited given restrictions on personal interaction and movement during the pandemic. Compliant with tax obligations where factual economic activities take place.
TOTAL	100%	

The Supervisory Board judged that the execution of strategic initiatives proved to exceed the challenging goals and timelines initially set at the beginning of the year.

As a result of the activities and leadership of the member of the Board of Management, the Company is fit for purpose, has successfully retained and enhanced its position (i) as a technological leader in the highly cyclical assembly equipment industry with timely and sustainable forward strategic thinking as to Besi's internal development, (ii) in the assembly equipment market and with its key customers and (iii) relative to its direct competition. Other items were also considered by the Supervisory Board such as market developments and the views of society.

Based on the actual performance achieved against each of the defined financial and non-financial targets, the Supervisory Board approved an award of 70,000 additional performance shares relative to the maximum potential award of 120,000 shares available to the member of the Board of Management. It applied a 42% downward adjustment from the potential maximum award primarily due to a 51% increase in Besi's share price during 2021. Such shares vested on February 18, 2022 and are subject to a five-year lock-up period which means that the member of the Board of Management will have to retain such shares for five years following the vesting date.

In addition, the award of additional performance shares to the member of the Board of Management was supported by an analysis of Besi's performance versus the median of all industry peers used in our TSR-comparator group and alignment with the median remuneration of all companies used in our remuneration reference group. This analysis included both one-year and three-year rolling performance periods wherein return on average equity, gross margin and the ratio of cash flow as a percentage of revenue were also considered, reviewed and analyzed in addition to the net income as a percentage of revenue metric as applied under the Remuneration Policy.

The following table presents the shares awarded or due to the member of the Board of Management for the last five reported financial years and unvested or subject to a holding period as of December 31, 2022:

Name of Director, position	The main conditions of share award plans					Information regarding the reported financial year						
	Specification of plan	Performance period	Award date	Vesting date	End of holding period	Opening balance	During the year			Closing balance		
						Shares awarded at the beginning of the year	Shares awarded	Performance adjustments	Shares vested	Shares subject to a performance condition	Shares awarded and unvested at year end	Shares subject to a holding period
R.W. Blickman, CEO	2018 PSP	Jan 1, 2018 - Dec 31, 2020	April 26, 2018	April 30, 2021	April 30, 2023	-	-	-	-	-	-	18,026
	2019 PSP	Jan 1, 2019 - Dec 31, 2021	April 26, 2019	April 29, 2022	April 29, 2024	32,887	-	8,222	41,109	-	-	41,109
	2020 add. PSP		Jan 23, 2020	Jan 23, 2020	Jan 23, 2025	-	-	-	-	-	-	103,000
	2020 PSP	Jan 1, 2020 - Dec 31, 2022	April 30, 2020	AGM 2023	AGM 2023 + 2 years	31,920	-	5,321	-	37,241	37,241	-
	2021 add. PSP		Jan 21, 2021	Jan 21, 2021	Jan 21, 2026	-	-	-	-	-	-	100,000
	2021 PSP	Jan 1, 2021 - Dec 31, 2023	April 30, 2021	AGM 2024	AGM 2024 + 2 years	25,143	-	-	-	25,143	25,143	-
	2022 add. PSP		Jan 20, 2022	Febr 17, 2022	Feb 17, 2027	-	70,000	-	70,000	-	-	70,000
2022 PSP	Jan 1, 2022 - Dec 31, 2024	April 29, 2022	AGM 2025	AGM 2025 + 2 years	-	13,927	-	-	13,927	13,927	-	
Total						89,950	83,927	13,543	111,109	76,311	76,311	332,135

The Supervisory Board approved an award of 88,020 additional performance shares relative to the maximum potential award of 120,000 shares available to the member of the Board of Management, subject to adoption of the 2022 annual accounts at the 2023 AGM. The award reflected (i) a 20% downward adjustment (24,000 shares) from the potential maximum award and (ii) the subtraction of 7,980 LTI shares due to their vesting between target and maximum performance (stretched performance) of the NIR element, both in accordance with the provisions of the Remuneration Policy 2020-2023. Such shares are subject to a five-year lock-up period, which means that the member of the Board of Management will have to retain such shares for five years following the vesting date. In accordance with IFRS 2 ("share-based payments"), expenses for such additional performance shares will be recognized in the first quarter of 2023 since the award was made and communicated in the first quarter of 2023.

Clawback and ultimate remedium

In accordance with Dutch law and the Remuneration Policy, the Short-Term Incentive and Long-Term Incentive components for the member of the Board of Management are subject to clawback provisions and ultimate remedium clauses. During 2022, no circumstances were identified by the Supervisory Board that could result in any adjustments or clawback.

Remuneration of the Board of Management

Remuneration of the member of the Board of Management recognized by the Company in its Financial Statements for the years ended December 31, 2022 and 2021 was as follows:

(€, except for performance shares)	Year ended December 31,	
	2022	2021
Base salary	600,000	600,000
Annual cash bonus	900,000	900,000
Other benefits ¹	232,910	233,678
Total cash benefits	1,732,910	1,733,678
Pension contribution ²	12,430	21,340
Equity compensation benefits: Incentive Plan ³	1,326,796	1,320,399
Total remuneration, excluding discretionary elements	3,072,136	3,075,417
Equity compensation benefits: additional performance shares ⁴	5,223,400	5,730,000
Total remuneration	8,295,536	8,805,417
Conditional performance shares awarded ⁵	13,927	25,143

¹ Other benefits include expense compensation, medical insurance, employer social security contributions and for 2022 and 2021 a taxable pension allowance of € 187,262 and € 187,346, respectively.

² The pension arrangements for the member of the Board of Management are based on defined contribution plans. The Company does not have any further pension obligations beyond an annual contribution.

³ Expenses recognized in 2022 and 2021 for performance shares awarded from 2018 to 2022 made under the Incentive Plan as determined in accordance with IFRS.

⁴ Expenses recognized in 2022 and 2021 for the additional performance share award of 70,000 shares which vested on February 17, 2022 and of 100,000 shares which vested on January 21, 2021, as determined in accordance with IFRS.

⁵ Performance shares for 2022 and 2021 may vest in 2025 and 2024, respectively, subject to continued service and the actual performance during the performance period 2022-2024 and 2021-2023, respectively.

Other remuneration information

The actual cash remuneration paid by the Company to the member of the Board of Management and the value of the vested equity remuneration for the member of the Board of Management for the years ended December 31, 2022 and 2021 were as follows:

(€)	Year ended December 31,	
	2022	2021
Base salary	600,000	600,000
Fringe benefits	232,910	233,678
Total fixed remuneration	832,910	833,678
One-year variable	6,123,400	6,630,000
Equity compensation benefits: Incentive Plan	2,414,743	1,213,510
Total variable remuneration	8,538,143	7,843,510
Pension expense	12,430	21,340
Total remuneration	9,383,482	8,698,528
Proportion of fixed and variable remuneration	9%/91%	10%/90%

The difference between the total remuneration paid to the member of the Board of Management in 2022 as recognized in the Company's Financial Statements (€ 8,295,536) and the actual cash remuneration paid and value of the vested equity remuneration for the member of the Board of Management (€ 9,383,482) was primarily due to the share price variation between the grant dates and vesting date used for determining the value of LTI share-based compensation.

Loans

At the end of 2022, no loans, advances or guarantees were outstanding to the CEO in accordance with the Remuneration Policy.

The following table presents the items used to evaluate remuneration and Company performance over the last five reported financial years:

	2022	2021	2020	Year ended December 31,	
				2019	2018
<i>Director's actual cash remuneration and value of equity remuneration</i>					
R.W. Blickman, CEO	9,383,482	8,698,528	7,066,003	6,068,127	9,096,692
Board of Management (€)					
Annual change	8%	23%	16%	-33%	15%
<i>Company performance</i>					
Net income as % of revenue realized	33.3%	37.7%	30.5%	22.8%	25.9%
Total shareholder return (base 2017 = 100%)	209%	261%	168%	114%	57%
<i>Average actual cash remuneration and value of equity remuneration</i>					
Full-time equivalent basis of employees, excluding CEO (€ thousands)	73.6	70.8	68.2	64.8	64.7
Annual change	4%	4%	5%	0%	-2%
Internal pay ratio*	115	128	100	72	114

* The internal pay ratio is calculated based on the annual total remuneration of the CEO relative to the average total remuneration of all other full-time employees as reported in accordance with IFRS.

Remuneration Supervisory Board members

The remuneration of the members of the Supervisory Board is reviewed on an annual basis. Effective April 30, 2020, the General Meeting of Shareholders approved the Remuneration Policy of the Supervisory Board. The Remuneration Policy was applied as from 2020 as set forth below.

The total cash remuneration of the members of the Supervisory Board for the five years ended December 31, 2022 was as follows, as recognized by the Company:

(€)	2022	2021	2020	Year ended December 31,	
				2019	2018
L.J. Hijmans van den Bergh – Chairman	79,200	79,200	79,200	53,900	-
N. Hoek – Member and Chairman Audit Committee	66,000	66,000	66,000	66,000	44,967
C. Bozotti – Member and Chairman Remuneration Committee	66,000	64,900	62,700	62,700	31,350
E. Eckstein – Member and Chair Nomination Committee	64,900	20,900	-	-	-
L. Oliphant – Member	62,700	41,800	-	-	-
Former members of the Supervisory Board:					
D.J. Dunn	-	22,000	66,000	66,000	64,088
M. ElNaggar	-	41,800	68,700	70,700	60,884
T. de Waard	-	-	-	26,400	76,800
K.W. Loh	-	-	-	26,900	60,884
J.E. Vaandrager	-	-	-	-	20,000
Total remuneration	338,800	336,600	342,600	372,600	358,973

The current remuneration of Supervisory Board members is as follows:

- Member of the Supervisory Board, including committee membership(s): € 62,700.
- Member of the Supervisory Board and Chair of a committee: € 66,000.
- Chairman of the Supervisory Board: € 79,200.
- Meeting attendance fees, including conference calls: None.
- Intercontinental travel allowance: € 6,000 for physical attendance at a minimum of three meetings.

The members of the Supervisory Board are not entitled to any performance or equity related compensation and are not entitled to any pension allowance or contribution.

Loans

At the end of 2022, no loans, advances or guarantees were outstanding for any members of the Supervisory Board.