

Remuneration policy for the Executive Board

The remuneration policy was adopted by the General Meeting of Shareholders on 23 April 2010, as proposed by the Supervisory Board, with due account taken of the recommendation of the Remuneration, Selection and Appointments Committee.

Context of the remuneration policy

In just a few years, Gasunie has grown into an international gas infrastructure company with many international customers in a converging European market. The company is not only active in regulated markets, but also develops non-regulated activities, and is thus creating value for its stakeholders. It creates value for the Dutch economy primarily by developing a strong 'hub' function in a liquid market; by enabling the throughput of significant gas flows; by enabling trade and competition between gas suppliers in the domestic gas market; and by creating flexibility (through storage facilities). All this makes Gasunie a very valuable asset to the Dutch economy. The management of the company therefore bears a great responsibility.

The aims and principles underlying the remuneration policy

The aim of the remuneration policy is to attract, motivate and retain Executive Board members of the right quality and experience, both from within the company and in the form of proven talent from the market. The remuneration reflects the responsibility borne by the management, and is considered in the light of the applicable remuneration principles in the market (as explained below). Gasunie needs this management talent in order to achieve its essential strategic objectives in the context described above. This policy is implemented based on the following considerations:

- ▶ In principle, having the State as a 100% shareholder, Gasunie applies the same criteria that are applied to the remuneration policy in state-owned companies. If the Supervisory Board feels that this may lead to unacceptable risks for the company, it will consult with the shareholder.
- ▶ Gasunie bases remuneration packages for members of the Executive Board on a market comparison, based on a relevant reference group in the labour market. This group consists of public, semi-public, private and international companies (in a weighted ratio of 50-25-25), with activities similar to those of Gasunie (energy, distribution, installation and construction).
- ▶ The structure of the remuneration of members of the Executive Board is determined on the basis of market comparisons that also take into account the remuneration ratios within the company, thus creating a logically continuing salary line from the posts in the Executive Board to the posts under the Executive Board.
- ▶ Application of the variable remuneration policy depends on short- and long-term targets with respect to operational and strategic performance being achieved.

Remuneration structure

The remuneration consists of:

- ▶ A fixed component (basic annual salary)
- ▶ A variable component, dependent on the attainment of both short- and long-term targets, as specified in the pages below
- ▶ The employer's contribution to the pension premium
- ▶ Other secondary employment conditions.

Basic annual salary

When determining the basic annual salary for members of the Executive Board (the fixed component), the Supervisory Board bases its decision on the results of a market comparison with a labour market reference group chosen for this purpose. The Supervisory Board has verified that the external consultant who carried out this market comparison in 2009 is independent of the members of the Executive Board. At the request of the shareholder, the Supervisory Board will limit the sum of the fixed and variable annual salary on appointment to a maximum of € 350,000 (2010 level). The Supervisory Board decides on the level of annual salary increments. If the maximum salary has been reached, further growth is limited to the structural increments laid down in the collective labour agreement.

Variable remuneration

The variable remuneration is based on the remuneration policy that has been approved by the shareholder. The maximum variable remuneration is 35% of the basic annual salary. The targets that must be attained in order to qualify for these bonuses are agreed annually. These targets should be both measurable and ambitious. The Supervisory Board is authorised to adjust the variable component within the limits mentioned below if it is likely to lead to unfair outcomes due to exceptional circumstances during the performance period. Examples of this are the downward adjustment of the variable remuneration at the time of the depreciations on the acquisition in Germany and at the time of a fatal traffic accident which fell outside the applied target definition. The Supervisory Board is also authorised to reclaim from members of the Executive Board a variable bonus that was awarded on the basis of inaccurate data (financial or otherwise).

The Supervisory Board has chosen performance criteria that relate to the implementation of Gasunie's strategic goals, both short- and long-term. For each pillar of the strategy, one or more performance criteria have been developed. The three strategic pillars of Gasunie and the associated performance criteria are as follows:

- ▶ To optimise the value of our existing assets (financial targets and Asset Utilisation Rate)
- ▶ To strengthen our leading position as a cross-border gas infrastructure company in Europe (Economic Value Added)
- ▶ To enable the transition towards more sustainable energy use (Corporate Social Responsibility).

In defining the company's strategy, account is explicitly taken of the social impact of Gasunie's activities and their effects on the environment and society. Criteria have therefore also been defined to assess performance in the areas of Safety and Security of Supply. Given the nature of the variable remuneration elements (the absence of option packages and associated remuneration mechanisms), the possibility of carrying out a scenario analysis, as mentioned in the Corporate Governance Code, is not relevant.

In the Policy on Government Participations (2013), it was announced that the government, as sole shareholder, aims for a maximum variable remuneration of 20%. To this end, the current remuneration level will be assessed in terms of reasonableness, and a conversion factor for all state participations will also be agreed.

Variable short-term remuneration

The purpose of the variable short-term remuneration is to reward the attainment of the previously agreed challenging targets in a number of (primarily operational) key areas. These operational targets apply to all Gasunie staff; attainment of some of these targets (i.e., the collective Gasunie targets) will also lead to other groups of employees being rewarded.

The criteria for awarding the variable remuneration relate mainly to the implementation of the strategy. The strategy has been approved by the Supervisory Board and tested against Gasunie's public interest. This is reflected in, for example, challenging, quantified targets relating to safety, security of supply and cost-efficiency.

At the request of the shareholder, the variable component is subject to an upper limit of 25% of the individual's basic annual salary. A long-term bonus of up to 10% may also be awarded (see below).

The breakdown of this 25% for 2013 is as follows:

Collective Gasunie targets (10%):	
Financial	4 %
- Result before taxation	
- Operating costs	
Operational	4 %
- Improving employee safety for in-house and contract staff at Gasunie locations and on projects	
- Security of supply – ensuring an uninterrupted gas supply, 24 hours a day, 365 days a year	
Corporate Social Responsibility	2%
- Reducing the average number of kilometres driven	

With effect from 2014, the objectives for these three key areas will be slightly different. For instance, ROIC will be introduced as a financial criterion instead of EBITDA, and with respect to Corporate Social Responsibility, CO₂ reduction will replace the number of kilometres driven. Furthermore, the percentages mentioned after the objective will be changed to 3%, 5% and 2% respectively.

Individual Gasunie targets (15%):	
- Targets relating to the individual Executive Board member's area of responsibility	10%
- Overall assessment of the contribution made by the individual Executive Board member (to be determined by the Supervisory Board)	5%

Variable long-term remuneration

Gasunie also pays its Executive Board members a variable bonus, linked to the value creation in the long term. The variable long-term bonus has three components. The first is the Operational Cost Index for the TSOs, which reflects the ratio of operating costs to the asset base for which the costs are incurred. The second component is the Asset Utilisation Rate, also for the TSOs; this component indicates the extent to which the assets are actually used (the commercial utilisation level). The third component is the EVA™ (Economic Value Added). This performance is measured over a period of three years and is dependent on the development of the EVA ($EVA = (ROIC - WACC) \times \text{Invested Capital}$) for the non-TSO part. If the three components are realised in full, the variable salary amounts to 4%, 3% and 3% of the basic annual salary respectively.

Procedure

The targets for eligibility for variable remuneration are agreed at the start of the relevant year between the Supervisory Board and the members of the Executive Board, once the Chairman of the Executive Board has discussed a proposal to this end with the Remuneration, Selection and Appointments Committee.

In the following year, the extent to which those targets have been met is evaluated by the external auditor. This result is then adopted by the Supervisory Board, following a recommendation to that effect by the Remuneration, Selection & Appointments Committee.

Variable bonuses are paid following approval by the General Meeting of Shareholders of the annual accounts for the year for which the targets were set.

Pension provisions

Until 1 July 2013, Gasunie had a separate pension scheme for its Executive Board members, based on a career-average pension, with a retirement age of 65. As of 1 July 2013, Gasunie agreed with the trade unions on a new scheme for its personnel in the Netherlands (see p. 61). It has been agreed with the members of the Executive Board that, as of 1 July 2013, this new scheme will also be applicable to them. If a member of the Executive Board stands down before reaching retirement age but continues to be employed by Gasunie, that individual's pension provisions up to retirement age will be set by mutual agreement.

Other secondary employment conditions

Gasunie has put together a package of secondary employment conditions for its Executive Board members which also apply to other staff.

Other conditions

Term of office

Members of the Executive Board are appointed for a period of four years, with a possibility of reappointment for a further four years. Members stand down on reaching the age of 62.

Notice period

For members of the Executive Board a notice period of two months applies. As of 1 July 2013, this notice period for new members of the Executive Board was extended to 3 months.

Compensation for dismissal

Compensation for dismissal for Executive Board members will be limited to a maximum of one year's basic salary, in accordance with the Corporate Governance Code, except where such a limitation is clearly unreasonable.

Change of control

Executive Board members are covered by a 'change of control' clause, which states that if they are forced to leave the company due to a merger or the acquisition of the company by an external party, or in the event of a fundamental change in the nature, management or structure of the company that is beyond the control of the Executive Board, they will be awarded compensation up to a maximum of one year's basic salary, regardless of which party terminates the employment contract.

Balanced composition

The composition of the Executive Board, with three or two men, is not in compliance with a balanced composition as mentioned in the Management and Supervision Act (Article 2:166 of the Dutch Civil Code), which states that a balanced composition means that an Executive Board should at least contain 30% women. When new members need to be appointed, attention will be specifically paid to complying with this provision. Nevertheless, when filling in the post of Chairman of the Executive Board in 2013, matching the candidates and the desired profile did not result in a more balanced composition, unlike in the case of the Supervisory Board, where new appointments did indeed result in a balanced composition.

Remuneration package for 2013

Based on the policy outlined above, the Supervisory Board agreed the following basic annual salaries and variable bonuses for members of the Executive Board active on 31 December 2013:

In euros	Basic annual salary 2013	Variable bonus (for performance 2013)
I.M. Oudejans	251,774	74,172
G.H. Graaf	242,680	71,748

Targets and payment of variable bonuses relating to 2013 performance

	Maximum	Graaf Achieved	Oudejans Achieved
1. Collective Gasunie targets			
1.a Safety and Security of supply			
Target for safety and pipeline incidents not reached, due to both a fatal accident in Gouderak and 6 pipeline incidents	2.00%	0.00%	0.00%
Target for security of supply achieved in full	2.00%	2.00%	2.00%
1.b Financial results			
Net operational costs: target achieved in full	2.00%	2.00%	2.00%
EBITDA target: partially achieved	2.00%	1.96%	1.96%
1.c Corporate Social Responsibility			
Kilometre reduction: target achieved in full	2.00%	2.00%	2.00%
Subtotal	10.00%	7.96%	7.96%
2. Individual short-term targets			
2.a Various targets for the member's individual portfolio			
	10.00%	6.40%	7.50%
2.b General appreciation of the member's individual contribution, at the discretion of the Supervisory Board			
	5.00%	4.00%	4.00%
Subtotal	15.00%	10.40%	11.50%
3. Contribution to long-term goal, growth of the company			
3.a Operational Cost Index: target achieved in full			
	4.00%	4.00%	4.00%
3.b Asset Utilisation Rate: target achieved in full			
	3.00%	3.00%	3.00%
3.c Economic Value Added: target achieved in full			
	3.00%	3.00%	3.00%
Subtotal	10.00%	10.00%	10.00%
Total	35.00%	28.36%	29.46%
Percentage of targets achieved		81%	84%
Target-related bonus paid out		€ 71,748	€ 74,172

Mr J.J. Fennema, whose employment started on 1 January 2014, has been granted a basic annual salary of € 272,841.

See note 23 to the Consolidated Financial Statements for the allocation of other remuneration package components in 2013.

Composition of the Executive Board

Mr Van Gelder terminated his employment at Gasunie on 1 September 2013. As of this date, Mr Graaf acted as Chairman of the Executive Board until 1 March 2014. As of 1 January 2014, Mr Fennema was appointed as a member of the Executive Board, and as of 1 March 2014 as Chairman of the Executive Board and CEO. Mr Graaf terminated his employment at Gasunie on 1 March 2014. Upon his departure, financial agreements were made with regard to the applicable non-competition clause.