

**REMUNE
RATION
REPORT
2019**

Remuneration report 2019

This remuneration report 2019 is comprised of two parts. The first part contains information on the remuneration awarded to the members of the Executive Board in 2019. The second part contains information on the remuneration awarded to the members of the Supervisory Board in 2019.

1. Remuneration of the Executive Board in 2019

Executive Board Remuneration Policy

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

www.vastned.com/remuneration_policy

In formulating the Remuneration Policy and its execution the objectives of the strategy to realise long-term value creation were taken into account (see also the chapter Long-term value creation in the 2019 annual report).

The Remuneration Policy further took account of Vastned's identity, mission and values and public support, by shaping the policy and its implementation in such a way that the members of the Executive Board receive remuneration that is in line with Vastned's identity as a European listed property company whose main focus is to create long-term value for all stakeholders in the company. In this, special attention has been given to the social context and the society that Vastned is part of, taking account of the business' necessary competitiveness. The principle for this is that the total remuneration of the Executive Board, also in view of the weight of the position and the responsibilities associated with a listed property company, must at all times be in reasonable proportion to the salaries and employment conditions of Vastned's employees and must be in line with the pay ratios that are in effect within the company. The reasonableness of the pay ratios within Vastned is continuously monitored based on benchmarks and reports, both internal and external.

The total remuneration of Vastned's Executive Board was compared at year-end 2019 by independent consultancy Willis Towers Watson with the Employment Market Reference Group as described in the Remuneration Policy. The findings of this comparison were then compared by way of a double reasonableness test with all the companies in the ASX index. For the determination of the total remuneration of the Executive Board, the pay ratios within Vastned and the views of the members of the Executive Board on their own remuneration and the Remuneration Policy were also weighed.

A proposal for a (new) Remuneration Policy for both the Executive Board and the Supervisory Board will be put to the Annual General Meeting on 25 June 2020, in order to comply with the implementation legislation of the Shareholders' Rights Directive that took effect on 1 December 2019, which contains provisions regarding the remuneration of both the Executive Board and the Supervisory Board. After its adoption, the remuneration policy will then again be put to the Annual General Meeting for adoption at least every four years.

Employment agreements of the Executive Board

Duration of the agreement

The Annual General Meeting of 18 April 2019 appointed Mr Taco de Groot (CEO) for a four-year term. Reinier Walta (CFO) was appointed by the Annual General Meeting of 19 April 2018 for a four-year term. For members of the Executive Board, Vastned must observe a notice period of six months, the members themselves three months.

Dismissal payments

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

Share ownership guidelines

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

Position at year-end 2019

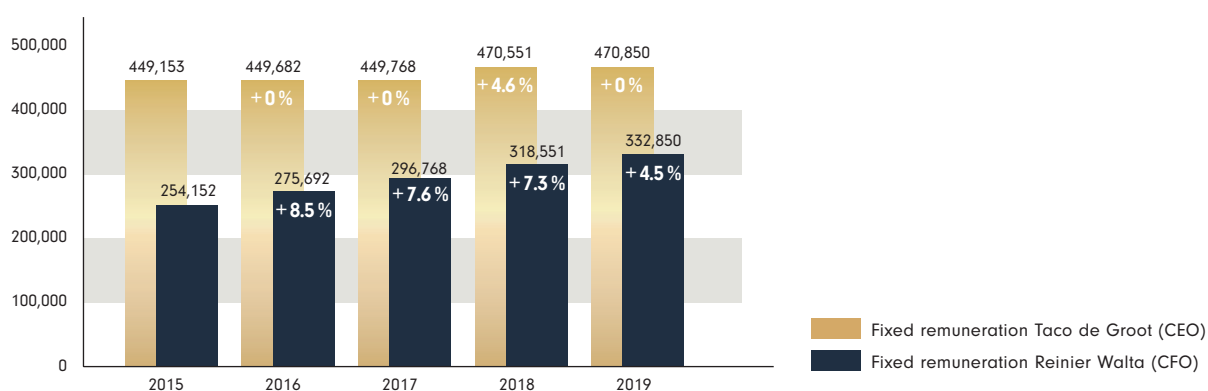
As at year-end 2019, at a closing price of € 26.70, the CEO met the minimum Vastned shareholding requirement of at least 300% of the CEO's fixed remuneration, with 73,076 shares purchased from his own means, or 424%.

At year-end 2019, Reinier Walta had built up a Vastned shareholding of 2,000 shares, of which 1,000 were purchased from his own means and 1,000 from the LTI paid out in 2018. At a closing price of € 26.70, this is 17% of his fixed remuneration as at 31 December 2019. Thus, the CFO has not yet met the requirement of the minimum shareholding of at least 150% of the fixed remuneration of the CFO.

Fixed remuneration 2019

The fixed remuneration of Taco de Groot (CEO) in 2019 was € 460,000 and the fixed remuneration of Reinier Walta (CFO) was € 322,000.

The following diagram presents the fixed remuneration (including social insurance contributions) of the members of the Executive Board in the period 2015-2019, including the annual relative changes:



As stated above, at year-end 2019 the remuneration levels of the Executive Board were assessed. Based on this benchmark both the basic salary and the total remuneration of the members of the Executive Board were between the 25th percentile and the median of the Labour Market Reference Group.

Remuneration and operating results

	2019	2018	2017	2016	2015
Operating result					
Turnover (x € 1,000)	69,288	77,060	77,480	89,469	93,174
Direct result (x € 1,000)	35,041	40,354	41,134	46,115	49,189
Average remuneration (full-time basis) ¹⁾					
Managing directors (x € 1,000)	628	736	654	523	533
• CEO	734	879	789	649	673
• CFO	521	593	519	396	392
Employees (x € 1,000)	106	110	129	112	108
Pay ratio ²⁾	5.9	6.7	5.1	4.7	4.9

¹⁾ Including social insurance contributions and pension, excluding other benefits.

The STI relates to 2019 and the LTI to the performance period that ended in the 2019 financial year.

²⁾ Pay ratio is the ratio between the average remuneration of the directors and the average remuneration of Vastned employees.

Total remuneration 2019

Total remuneration awarded to the Executive Board for 2019

The table below presents the remuneration awarded to the Executive Board in 2019 (€):

	Fixed remuneration	Social insurance contributions	Pension ¹⁾	Other benefits ²⁾	STI ³⁾	LTI ³⁾	Total
Taco T.J. de Groot	460,000	10,850	84,775	37,611	70,840	107,640	771,716
Reinier Walta	322,000	10,850	59,913	25,933	52,808	75,348	546,852
Totals	782,000	21,700	144,688	63,544	123,648	182,988	1,318,568

¹⁾ Including WIA top-up premiums.

²⁾ Concerns expenses relating to company car.

³⁾ The STI relates to 2019 and LTI to the performance period that ended in the 2019 financial year.

The table below presents an overview in percentages of the remuneration awarded to the Executive Board in 2019 (%):

Remuneration composition (%)	Fixed remuneration	Pension	Other benefits	STI	LTI	Total
Taco T.J. de Groot (CEO)	61	11	5	9	14	100
Reinier Walta (CFO)	61	11	5	9	14	100

Pay ratios within Vastned

In accordance with the best-practice provisions in the Code, Vastned reports on the pay ratios of the Executive Board compared to those of a 'representative reference group' identified by the Company. Vastned has elected to compare the remuneration of the CEO with that of the average employee. The total financial remuneration (i.e. excluding non-financial remuneration elements such as travel expenses, but including pension charges) of all Vastned employees (excluding the remuneration of the CEO) for the relevant tax year was used as the reference point. To calculate the ratio, the salaries of employees who as at 31 December 2019 had not yet been employed for a full year were annualised as if the relevant employee had been employed throughout the year. Using this method the ratio between the CEO's remuneration as presented in the diagram on page 3 and that of an average employee for the 2019 tax year was 6.30: 1 (2018: 7.22: 1). This decrease was due to the lower variable remuneration of the directors of the company.

Variable remuneration in 2019

The remuneration policy provides that the total variable remuneration is limited to 100% of the fixed remuneration. The variable remuneration is comprised of 40% short-term variable remuneration and 60% long-term variable remuneration.

Short-Term Incentives (STI) for 2019

Every financial year, members of the Executive Board are eligible for a short-term variable remuneration (Short-Term Incentive or 'STI'). The STI ranges from 0% to a maximum of 40% of the fixed remuneration.

Vastned's strategy has a clear focus on stable and predictable results. In support of this strategy and in accordance with the provisions in the Remuneration Policy, the STI is determined based on four challenging targets (each with a weight of 25%) aimed at creating long-term value for the stakeholders of the company (issues such as the strategy and other long-term interests, including the occupancy rate of the portfolio, like-for-like gross rental growth and sustainability).

These targets encourage the Executive Board to focus on Vastned's strategy, long-term interests and sustainability, and as such contribute to them.

The STI targets are set annually in advance by the Supervisory Board based on the operational and strategic ambitions of the company as laid down in the business plan. The targets for the three financial STI objectives have a threshold (i.e. a minimum level that must be met for the STI to be awarded; in which case a weight of 15% of the total STI applies) and a 'maximum' award (weight of 25% of the total STI). Between the threshold and the maximum, the STI is awarded pro rata.

The first shared quantitative STI target in 2019 was related to the total occupancy rate of the portfolio at year-end 2019. The threshold for an award based on this target was a total occupancy rate of the portfolio at year-end 2019 of at least 98.5% (in which case a 15% award) and the maximum of this target was at least 98.9% (in which case a 25% award). The occupancy rate at year-end 2019 was 98.0, so this part of the STI was not awarded.

The second shared quantitative STI target was the ratio of strategic assets (formerly referred to as core city assets) in the total property portfolio. At least 82% of the total property portfolio had to comprise strategic assets for a 15% award and at least 84% for the maximum 25% award. The ratio of strategic assets at year-end 2019 was 82.7%, so 18.50% award was realised based on this STI target.

The third shared quantitative STI target concerned the like-for-like gross rental growth. At year-end 2019 a like-for-like rental growth for the strategic asset (formerly: 'core city assets') had to have been realised of at least 0.5% (in which case an award of 15%), whereby the upper limit for the maximum 25% award was set at at least 1.5%. The like-for-like gross rental growth was 3.0% negative, so this part of the STI was not awarded.

The qualitative STI target is determined individually for each member of the Executive Board, and its achievement is evaluated by the Supervisory Board. The maximum award based on the qualitative STI targets for the members of the Executive Board comprises 25% of the total STI.

In 2019, the objective of the qualitative STI target for the CEO focused on creating long-term value in the setting of the strategy of the company. In 2019, 50% of the STI target for the CFO was comprised of this same objective. In addition, the implementation of a new property management system in the foreign branches of the organisation in 2019 comprised 50% of the qualitative STI target for the CFO. At year-end 2019, the CEO had realised 80% of his qualitative STI targets (20% of the STI) and the CFO 90% (22.50% of the STI).

This brings the CEO's total STI to: 38.50% (being 0% + 18.50% + 0% + 20% realisation of the STI targets) * 40% (weight of STI in total calculation) * annual salary (€ 460,000) = € 70,840. The CFO's total STI comes to: 41% (being 0% + 18.50% + 0% + 22.50% realisation of the STI targets) * 40% (weight of STI in total calculation) * annual salary (€ 322,000) = € 52,808.

Long-Term Incentives (LTI) for 2019

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

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

The maximum achievable LTI in 2019 for Taco de Groot was 60% of € 460,000 and for Reinier Walta 60% of € 322,000.

RTSR-test

The RTSR test sets 40% of the total LTI. For a description of the test and the peer group we refer to paragraph 4.3.2.2 of the Remuneration Policy for the Executive Board, which can be inspected on the Vastned website. In the defined peer group Vastned came sixth based on the figures at year-end 2019, so 30% is awarded based on the RTSR test. As a result, $30\% * 40\% = 12\%$ of the RTSR-based LTI is payable (equal to 12% (based on the RTSR test) * 60% (weight of LTI in total calculation) = 7.2% of the annual salary).

ATSR-test

The ATSR test sets 30% of the total LTI. For a description of the test we refer to paragraph 4.3.2.3 of the Remuneration Policy for the Executive Board, which can be inspected on the Vastned website. The threshold for the realisation of the ATSR is 10% ATSR and realisation above 25% ATSR results in the maximum award. On 31 December 2019, the total shareholder return for the period 1 January 2017 up to and including 31 December 2019 was -7.21%. Since at the reference date, the ATSR for the period 1 January 2017 up to and including 31 December 2019 was not above 10% at year-end 2019, 0% LTI is payable based on the ATSR test.

Business Health Test

The Business Health test determines 30% of the total LTI. The purpose of this test is to promote a long-term vision in the determination of the strategy and the policy conducted. As the principle in the assessment of this test, initially the impact of the annual STI targets is measured over a three-year period. But it also takes account of other, non-financial performance indicators. The Supervisory Board evaluates the Executive Board's strategic leadership, tone at the top (also important in the context of risk management), employee satisfaction, the implementation of the strategy and last but not least the objectives for corporate social responsibility that the Executive Board has set for itself. The remuneration and nomination committee has also taken these aspects into account in its deliberations and weighed them during an extensive 360-degree evaluation of the members of the Executive Board, for which several discussions were held with staff, members of the Management Team and various country managers. In subsequent discussions with the members of the Executive Board the remuneration and nomination committee took note of their views on the level and structure of their own remuneration, whereby attention was given to Vastned's remuneration system and the level of the fixed and variable remuneration components, the performance criteria used, the scenario analyses performed and the pay ratios within Vastned and the business associated with it.

The 360-degree review resulted in a positive evaluation of both the CEO and the CFO, whereby especially the tone at the top and the objectives realised in terms of corporate social responsibility were positive features.

The Business Health Test was realised at 90% in 2019. The calculation of the Business Health Test-based LTI is as follows: 90% * 30% (weight of Business Health Test in LTI) * 60% (weight of LTI in total calculation) * annual salary = 16.2% * annual salary.

The 2019 reporting year is the third year in the three-year period (2017-2019) over which the LTI is determined. Based on the foregoing, the LTI for the period 2017 - 2019 comes to: € 107,640 for the CEO (€ 33,120 (RTSR) + € 74,520 (Business Health Test) and € 75,348 for the CFO (€ 23,184 (RTSR) + € 52,164 (Business Health Test)).

The Supervisory Board has not availed itself of its right to adjust or claw back the incentives awarded to the Executive Board on the 2019 reporting year or earlier.

Pension 2019

The members of the Executive Board do not pay own contributions to their pension schemes; these contributions are paid by Vastned. Reinier Walta's pension was based on a career average scheme during 2019 and Taco de Groot's is a defined-contribution scheme. As at 1 January 2019 Mr Walta's pension will be based on a defined benefit scheme.

Based on the provisional Pension Agreement 2019 Mr De Groot's expected pension age is 67 years and three months and Mr Walta's is 68 years and three months.

Pension compensation CFO

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

The pension contribution for Reinier Walta in 2019 was € 21,743 for the part up to the maximum pensionable salary in that year. For the part above the maximum pensionable salary Reinier Walta received a compensation of € 32,997 in 2019. This pension compensation does not qualify as part of the fixed remuneration. The total compensation was € 54,740 (17% * € 322,000 (fixed remuneration)). Based on tax legislation, the partner pension under the pension scheme that is in effect in Vastned is also limited. The Vastned pension scheme in which the CFO participates also includes an invalidity pension.

Loans 2019

Vastned did not provide any loans or guarantees to members of the Executive Board in 2019.

¹⁾ As at 1 January 2019: € 107,593

2. Remuneration of the Supervisory Board

The remuneration system for the Supervisory Board adopted by the Annual General Meeting of shareholders on 20 April 2017 remained unchanged in 2019.

The total remuneration of Vastned's Supervisory Board was compared at year-end 2019 by independent consultancy Willis Towers Watson with the Labour Market Reference Group as described in the Remuneration Policy. The findings of this comparison were then compared by way of a double reasonableness test with all the companies in the AScX index. The benchmark survey showed that the remuneration of the chairman and the members of the Supervisory Board as well as the supplements for the chairman and the members of the various committees were between the 25th percentile and the median of those of comparable companies.

A proposal to adopt a Remuneration Policy for the Supervisory Board will be put to the Annual General Meeting on 25 June 2020, in order to comply with the implementation legislation of the Shareholders' Rights Directive that took effect on 1 December 2019, which contains provisions regarding the remuneration of both the Executive Board and the Supervisory Board. This proposal comprises also a simplification of the remuneration structure, in which the total remuneration for each of the members of the Supervisory Board will not be changed at this time.

After the adoption of the Remuneration Policy for the Supervisory Board, the remuneration policy will then again be put to the Annual General Meeting for adoption at least every four years. A competitive compensation is awarded to the members of the Supervisory Board without performance-based elements. Thus, the remuneration contributes to safeguarding independent expert supervision in the interest of the company and its long-term performance.

The remuneration of the Supervisory Board as at 31 December 2019 was as follows:

Chairman	€ 48,000
Member (not chairman)	€ 36,000
• Supplement chairman of audit and compliance committee	€ 7,750
• Supplement member (not chairman) of audit and compliance committee	€ 5,500
• Supplement chairman of remuneration and nomination committee	€ 6,750
• Supplement member (not chairman) of remuneration and nomination committee	€ 4,750

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

Overview of the remuneration granted to the Supervisory Board in 2019

The table below presents the remuneration awarded to the Executive Board in 2019 (€):

Name	Supervisory Board	A&C committee	R&N committee	Expense allowance	Total
Marc C. van Gelder ^{v)}	48,000		4,750	1,250	54,000
Charlotte M. Insinger	36,000	7,750		1,250	45,000
Marieke Bax	36,000		6,750	1,250	44,000
Jaap G. Blokhuis*	25,529	3,873		880	30,281
Jeroen B.J.M. Hunfeld**	10,652	1,627		370	12,649
Total	156,181	13,250	11,500	5,000	185,930

^{v)} Chair.

* appointed as of 18 April 2019.

** retired in accordance with retirement roster on 18 April 2019.

Overview of the remuneration granted to the Supervisory Board 2015-2019

The table below presents the remuneration awarded to the Supervisory Board in 2015-2019 (x 1,000)¹⁾:

	2019	2018	2017	2016	2015
M.C. van Gelder	53	53	53	43	24
M. Bax	43	43	43	34	34
J.B.J.M. Hunfeld	12	41	41	34	34
C.M. Insinger	44	44	44	34	23
J.G. Blokhuis	29	-	-	-	-
W.J. Kolff	-	-	-	12	42
P.M. Verboom	-	-	-	-	12
Total	€ 181	€ 181	€ 181	€ 157	€ 169

¹⁾ Excluding expense allowance