

April 27, 2023

Clarifying note - Agenda item 8 Remuneration Policy Management Board

In response to questions ASM received leading up to the AGM, we have decided to provide additional information to agenda item 8 – Management Board Remuneration Policy. This Clarifying Note provides more details related to 4 elements:

1. Stakeholder engagement and feedback;
2. Flexibility in setting performance measures combined with increased transparency and clarification of variable compensation Performance Measures in performance year 2023;
3. Implementing a competitive, retention-effective compensation;
4. Regional approach for LTI.

1. Stakeholder engagement and feedback

As indicated in our Policy, feedbacks received from stakeholders through multiple engagements including a Remuneration roadshow, have been largely taken into account. Derived actions have been incorporated into the Management Board Remuneration Policy proposed for 2023. Specifically:

- Request for the introduction of Total Shareholder Return (TSR) measure. This was very explicit feedback and the relative TSR is now included as additional LTI performance measure in the newly proposed policy.
- Stakeholders expect ASM to reflect the new company's profile, due to the significant growth since 2020: ASM's revenue grew by 185% from € 1.3 billion (2020) to approximately € 2.4 billion (2022), ASM's market cap grew by 285% from € 5.5 bn (January 2020) to € 15.7 bn (January 2023). Realized acquisitions: March 2022: Reno-Subsystems, a US supplier of RF matching subsystems and October 2022, the acquisition of LPE, an Italian-based supplier of silicon carbide (SiC) epitaxy systems. At the same time, since March 2020, ASM is included in the AEX-index, and since February 2021 in the MSCI-Global Index.
The positioning of ASM in this competitive landscape is the foundation for the renewal of the Management Board Peer Group and subsequent benchmark as conducted by rewards consultant Willis Towers Watson (London/NL office).
- Concerns about Policy competitiveness: Stakeholders did share feedback that ASM, as fast growing company, should be able to attract and retain top talent in the global and extremely dynamic market to secure business continuity (competitive pay). Therefore the remuneration Peer Group and competitive positioning have been updated in the 2023 proposed Management Board Remuneration Policy.

- On the other hand, some stakeholders did ask to avoid ‘inflation’ of overall Management Board pay: as a response, ASM did build in a ‘ringfencing’ mechanism (Europe/Asia versus US) to avoid such uncontrolled uptick (e.g. LTI practice for Europe/Asia versus US).
- Stakeholders did share their interest to put sufficient weight on the variable component (link to performance) of the overall total direct Management Board compensation. An example is that the CEO will move, at target, from 72% to 76% variable portion in the total pay mix under the new policy. Incentive levels have also been updated in that regard, based on market practice in the 2023 proposed Management Board Remuneration Policy.
- Some stakeholders did explicitly recommend to implement changes in compensation (especially on LTI) in a phased manner, which has been taken into account by the Supervisory Board. In that respect, in the framework of the new Remuneration policy, the Management Board compensation will evolve as a function of delivered results as well as benchmarked comparison, in the timeframe of the policy (4 years).

In addition to the abovementioned feedback and engagement sessions related to the proposed 2023 Management Board Remuneration Policy, ASM will continue its ongoing efforts to further liaise with stakeholders by presenting, after the yearly AGM, its response to stakeholder feedback, and if needed a roadshow will be organized.

2. Flexibility in setting performance measures combined with increased transparency and clarification of Variable Compensation Performance Measures as set for performance year 2023

In response to requests made how performance measures will exactly be set under the proposed Management Board Remuneration Policy and how that does play out practically speaking, also taking into account expectations for enhanced transparency, the following clarification can be provided:

ASM opts for a ‘menu’-approach putting forward a predefined list of potential measures for both STI and LTI to allow the Supervisory Board to set targets annually in an agile manner in view of the rapidly changing semiconductor business environment (e.g. economic upturn versus downturn period, geopolitical considerations...etc.). ASM’s proposed Management Board Remuneration Policy does provide insights in this pre-defined list for:

STI:

The financial measures may include amongst other measures: revenue measures, margin measures, return measures and/or cash flow measures.

The aggregated weight (around 75%) is meant to remain the same for the duration of the current proposed policy. It is to be noted that the specific weight for each of the 3 measures could vary from year to year, depending on the specific focus that the Supervisory Board wants to put in each given year, as mandated by the evolution of the

economic conditions. Each measure's weight will be disclosed ex-ante in ASM's yearly Remuneration Report.

Non-financial measures (around 25% weight): those metrics could vary year to year, depending on the tactical/strategic priorities of the Company, as set by the Supervisory Board. Those measures include but are not limited to: ESG measures, operational measures, strategic measures, customer measures and/or leadership measures.

LTI:

Three measures are set for the duration of the policy: Revenue-related, Profit-related measures and relative TSR (new as of 2023).

ASM focuses on realizing a continued increased transparency, as it should be noted that while the Management Board Remuneration Policy is not meant to be changed every year, the reference base for disclosure and transparency is the annual Remuneration Report.

In the Remuneration Report 2022 more details have already been provided on: 1. the realization or performance achievement for each STI measure specifically, 2. The ex-post description of non-financial STI targets.

Moving forward the annual Remuneration Report will provide more details ex-post on LTI target achievement for both Sales Growth and rTSR ranking (note: not on EBIT achievement since this is business sensitive and strategic information), taking into account a 3-year vesting period of the respective performance shares.

In addition, every year the performance measures for the respective performance year will be disclosed ex-ante in the 2nd quarter of the new business year and posted on the company website. This will provide additional clarification of the application of the policy for the respective performance period, within the boundaries set by the applicable Management Board Remuneration Policy.

In that regard for performance year 2023, the following performance measures will be applicable as Variable Compensation Performance Measures:

Short-Term Cash Incentive (STI) performance measures

For performance year 2023, the following STI performance measures and respective weights are applicable:

- A. **Financial performance measures**: total weight: **75%**
 - Sales – Weight 25%
 - EBIT – Weight 25%
 - Free Cash Flow – Weight 25%

- B. **Non-financial / Qualitative / Strategic targets**: total weight: **25%**
 - Planet / ESG: continuation Net Zero 2025 pathway – Weight 1/3
 - Trans4m!: multi-year business transformation program – Weight 1/3

- People / ESG: continuation of ASM's People Roadmap, reflecting ASM's commitment to leadership development, D&I, Culture and Engagement – Weight 1/3.

Long-Term Share Incentive (LTI) performance measures for 2023 LTI grant

For the 2023 LTI grant the following LTI performance measures and respective weights are applicable:

Financial performance measures: total nominal weight: **100%**

- Sales Growth compared to market (based upon WFE data) – Weight 50%
- Average EBIT percentage – Weight 50%

Here, it is worth mentioning that those two measures are identical to the prior policy.

It is to be noted that the Sales Growth is being communicated publicly every quarter and after every calendar year, and compared to a publicly available index (WFE industry growth) making this measure and its achievement highly transparent to the Shareholders.

In addition, a **relative Total Shareholder Return (TSR)** metric will apply as a modifier, as explained in the newly proposed 2023 Management Board Remuneration Policy. By definition, the transparency of this report is extremely high, given the peer group disclosure ex-ante, and publicly available information, compiled by Willis Towers Watson.

3. Implementing a competitive, retention-effective compensation

ASM conducted a very thorough analysis, supported by Willis Towers Watson, that resulted in the proposed Management Board Remuneration Policy and the related compensation adjustments.

The following items were identified as key drivers resulting in the proposed changes:

- Rapid and exponential growth of the company in terms of market cap, revenue and employee size (see above) resulted in the need to adjust the Remuneration Management Board peer group to measure competitive pay based upon the correct and valid market reference. This new Management Board Remuneration Management Board peer group – see below in appendix 1 (as determined with support of Willis Towers Watson) consists of 17 companies and is a better reflection, taking into account ASM's growth, of the actual revenue, employees, region, market cap and industry. The US participation in this peer group is reduced from 43% to 33% in line with local Dutch recommendation.
- The outcome of the renewed benchmarking (as conducted by Willis Towers Watson) clearly showed that CEO and CFO are substantially below median of the reference market (CEO Total Target Cash at -/- 35% and LTI at -/- 173%, CFO Total Target Cash at -/- 13% and -/- 152%).
- The corresponding compensation actions to bring the Total Target Cash closer to the median level where needed, which do follow the benchmarking outcome for the CEO

and CTO (no change upwards for CTO). See also the related Relative Salary Positions of the ASM Management Board versus the median Total Target Cash peer group benchmark details in Appendix 2.

- A gradual multi-year implementation approach, in line with benchmarking outcomes, will be applied to potentially move to policy levels for LTI grant levels, in the timeframe of the policy, depending upon the Management Board performance and business results. Worth noting is that the effect of a change in LTI opportunity may crystallize only as of 2028 given the 3 years cliff vesting of performance shares + 2 years holding period, ensuring the long term alignment with Shareholder's interest.
- The aim to provide fair and competitive pay for performance, in line with policy and long-term interest of the share-/stakeholders, but yet with intention to avoid unnecessary inflation of Management Board pay.

4. Regional approach for LTI

Given the global span of the Company resources, clients, factories, R&D centers-, and in particular the high dependency to the US market, especially in term of high-end R&D and Management resources, critical to the long term success of the company, given the extreme competition for talents especially in the US market, exacerbated by the Chip's Act-driven local investments, it is essential that, while maintaining its European/Dutch roots, the Company must adapt its Management Board Remuneration Policy to cope with those external challenges.


For the LTI, ASM will apply a regional approach as included in the proposed Management Board Remuneration Policy. Applying this regional approach for LTI is based on the following assumptions:

- The US LTI reference level (target level 450% of base as measured by benchmark) applies when the working location or contractual terms of the Management Board member is the US, at the moment of hiring or internal promotion.
- The US LTI reference level (target level 450% of base) applies when a Management Board candidate, that is currently employed outside the US, has an existing employment contract that is US home based (expat conditions).
- In other words, the regional "bucket" of a candidate applies at the time of hiring depending on his/her initial contract location.
- When the working location of a Management Board member shifts, resulting in a relocation from Europe or Asia to the US, as mandated by the Supervisory Board as a response to business needs, a proposed adjustment of the package - will first be presented for approval to the AGM as a material change.

We trust that this additional supporting information is of assistance to our stakeholders in their further consideration of this matter. We hope they can see from the above that we have taken shareholder feedback very seriously and have thought very carefully about the right changes to further align our Remuneration Policy with market practice and shareholder interest, while preserving the long term success potential of the Company.

Appendix 1. Management Board Remuneration Peer Group

1. MB REMUNERATION PEER GROUP



Company Name (n= 17)	Country of Headquarters	GICS Subindustry	TSR peer
ASM International NV	Netherlands	Semiconductor Equipment	
ASML Holding NV	Netherlands	Semiconductor Equipment	✓
Lam Research Corp	United States of America	Semiconductor Equipment	✓
KLA Corp	United States of America	Semiconductor Equipment	✓
Teradyne Inc	United States of America	Semiconductor Equipment	✓
Entegris Inc	United States of America	Semiconductor Equipment	✓
MKS Instruments Inc	United States of America	Semiconductor Equipment	✓
Soitec SA	France	Semiconductor Equipment	✓
BE Semiconductor Industries NV	Netherlands	Semiconductor Equipment	✓
ams Osram AG	Austria	Semiconductors	✓
Siltronic AG	Germany	Semiconductor Equipment	✓
Aixtron SE	Germany	Semiconductor Equipment	✓
Applied Materials Inc	United States of America	Semiconductor Equipment	✓
NXP Semiconductors NV	Netherlands	Semiconductors	✓
Infineon Technologies AG	Germany	Semiconductors	✓
VAT Group	Switzerland	Industrial Machinery	✓
SMA Solar Technology	Germany	Semiconductor Equipment	✗
Koninklijke KPN NV	Netherlands	Integrated Telecommunication Services	✗

Proposed new companies

- Applied Materials, NXP Semiconductors, Infineon Technologies, VAT Group, SMA Solar Technology, KPN.

Companies removed

- Aalberts, Renishaw, Arcadis, Spirent Communications, TomTom, Dialog Semiconductor, Microchip Technology, ON Semiconductor, Amkor Technology, Veeco Instruments.

Link to TSR performance peer group

- All companies are included in the relative TSR performance reference group, except SMA Solar Technology and KPN.


* Average market cap is based on the period 1-11-2021 until 31-10-2022.

- MB peer group is different compared to rTSR peer group, considering different aspects: revenue, employees, region, market cap and industry
- Positioned ASM International **around the median (56%)** of the reference group based on market capitalization
- 17 companies**, mostly industry peers, with reduced number of United States companies from **43% to 33%** of the MB peer group

- MB peer group is benchmark reference to set **Total Target Cash (TTC)** compensation (base salary + target STI), around median level
- MB peer group is not used as reference for **LTI**: ASM differentiates LTI levels based on regional market practice

Appendix 2. Benchmark findings

2. MB REMUNERATION PEER GROUP



- **Benchmark findings TTC:**
 - MB peer group is benchmark reference to set **Total Target Cash (TTC)** compensation (base salary + target STI), around median level
 - Current remuneration levels for both CEO and CFO are (significantly) below median benchmark level. To bring CEO and CFO progressively to Median TTC peer group level, base salary and incentive levels need to be increased
 - **CEO:**

TTC median benchmark level	1,815 EUR (x 1,000)	
TTC actual	1,298 EUR	Relative Salary position (RSP): 71,5%
 - **CFO:**

TTC median benchmark level	1,060 EUR (x 1,000)	
TTC actual	908 EUR	Relative Salary position (RSP): 85,7%
 - **CTO:**

TTC median benchmark level	1,050 EUR (x 1,000)	
TTC actual	983 EUR	Relative Salary position (RSP): 93,7%
 - For 2023, base salary increases, will be aligned with broader workforce CLA increases in the Netherlands
 - Maximum STI, in case of outperformance, is up to max 150% of target performance level

Source Appendices: Willis Towers Watson