ASML

Rationale for the Remuneration Policy (version 2017) for the Board of Management of ASML Holding N.V.

The 2017 remuneration policy for the Board of Management ("BoM") of ASML Holding N.V. ("ASML" or the "Company") builds on the remuneration policy that was developed since 2004. A last major revision took place in 2014. ASML is facing constant change and is proactively proposing a revision to the policy, where necessary, to support the long-term value creation of the Company in a highly dynamic environment, while aiming at fulfilling all stakeholders' requirements.

More than ever, the challenge for ASML will be to drive technology, to serve our customers and to satisfy our stakeholders. These drivers continue to be the backbone of the remuneration policy.

Objective and principles

The objective of the remuneration policy is to enable ASML to attract, motivate, and retain qualified industry professionals for the BoM in order to achieve ASML's strategic goals. The ASML remuneration policy acknowledges the internal and external context as well as ASML's business needs and long-term strategy. The policy is designed to encourage behavior that is focused on long-term value creation, while adopting the highest standards of good corporate governance. The policy continues to be built on the following principles:

- Transparent – the policy and its execution are clear and practical
- Long term – the incentives focus on long-term value creation
- Alignment – the remuneration policy is aligned with the policy for ASML senior management and other ASML employees
- Compliant – ASML adopts the highest standards of good corporate governance
- Simple – the policy and its execution are as simple as possible and easily understandable to all stakeholders

The 2017 remuneration policy has been developed taking into account the best practice principles of the Dutch Corporate Governance Code as recently published in December 2016.

Main changes to the 2014 policy

Reference Group and Pay Mix

ASML wants to offer a remuneration package that is competitive compared to a relevant labor market. Since the remuneration policy of 2014, the reference group has not changed, whereas ASML has grown considerably. Furthermore, there have been changes in several reference companies, as a result of which they no longer qualify as a good reference. Finally, the labor market for board members is becoming more and more international. Altogether, a revision of the reference group and a new remuneration benchmark is required.

The revision of the reference is driven by criteria of size, relative comparability in terms of complexity, data transparency and geography. The reference group is chosen such that ASML positions around the median in terms of size (enterprise value, revenue and number of employees).

All reference companies are European and the reference group data is publicly available in order to allow transparency and accountability to all stakeholders. Because of the increasingly international labor market for board members, the revised reference group contains fewer Dutch and more European companies.

As a guiding principle, the ASML Total Direct Compensation (TDC) at the target level is benchmarked against the median TDC level of the reference group. TDC consists of base salary, a short-term incentive (STI) and a long-term incentive (LTI).

The benchmark carried out against the revised reference group showed that the TDC level for the BoM was lower than the median of the TDC level of the reference group. Base salary was slightly higher than the median, but variable income (especially LTI) was much lower. The Supervisory Board would like to bring the pay mix more in line with the market by keeping the base salary fixed for now and increasing the at-target levels for STI and LTI. This will bring the TDC level (at target) closer to the median level of the new reference group. It is the intention to apply further changes in the pay mix when necessary at the time the next benchmark is carried out.

Given the current composition of the BoM with 2 Presidents instead of 1 CEO, the SB has set the remuneration of the 2 Presidents at the midpoint between benchmark results for the position of CEO and the benchmark results for other BoM members.

In principle, the benchmark is conducted every two years. In the year without a market assessment, the Supervisory Board considers the appropriateness of any change of remuneration based on the market environment.

The Supervisory Board reviews the composition of the reference group in conjunction with the frequency of the benchmark. Substantial changes applied to the composition of the reference group will be submitted to shareholders.

Variable Income (STI + LTI)

Regarding the STI performance measures, there is no change proposed in the areas of Technology and Customer performance (together 40% of the STI measures). The remaining 60% of the STI performance measures are financially driven. The change proposed for the 2017 policy is to choose these financial measures every year prior to the annual performance period from a pre-defined list, rather than having the same fixed set of financial measures every year. The intention of this change is to enable better adjustment of annual performance measurement(s) to the strategic priorities in any given year, while at the same time providing clarity as to the measures that can be chosen. During, or at the latest shortly after, the annual performance period the chosen financial measures will be disclosed. The Supervisory Board may still deviate from this list when necessary given any specific challenges in a given year, but will as much as possible choose measures from the pre-defined list for transparency reasons. All measures in the list are directly or indirectly derived from publically available figures.

Regarding the LTI performance measures, there is no change proposed for the Technology and Sustainability measures (together 30% of the LTI measures). For the remaining 70%, which is now Return on Average Invested Capital ("ROAIC"), the proposal is to decrease the weight of ROAIC from 70% to 40% and to compare ROAIC with an absolute 3-year target based on ASML's financial plans rather than with a rank in a group of peer companies. The rationale of an absolute measure is to obtain a more direct link to the strategic challenges of the company, among other things, in case of acquisitions. For the remaining 30% of the LTI measures, the Supervisory Board proposes to introduce a new measure, namely Total Shareholder Return ("TSR"), compared to an index. With these two revised LTI measures, absolute ROAIC and relative TSR, ASML achieves both a more flexible path for internal management (ROAIC) as well as a clearer external comparison (TSR) to other peer companies. The Supervisory Board believes that with the combination of absolute ROAIC (40% of the LTI measures) and relative

TSR (30% of the LTI measures) the ASML management will be rewarded properly for its contribution to long-term value creation. With this new mix of LTI measures (Technology, Sustainability, absolute ROAIC and relative TSR) ASML is optimizing long-term value creation and alignment with shareholders' interest.

The target level of the STI-incentive is set at 65% (was 60%) of base salary for all BoM members and the target level of the LTI incentive is set at 100% of base salary for the Presidents and at 85% of base salary for the other BoM members (was 70% for all BoM members).

Finally, ASML will increase share ownership requirement for the two Presidents of the BoM from two times base salary to three times base salary. For the other members of the BoM the share ownership requirement will remain two times base salary.

In summary

With the proposed changes in the 2017 remuneration policy as set out above, ASML abides by its five remuneration principles of transparency, alignment, long-term orientation, compliance and simplicity. The proposed changes can be summarized as follows:

1. The reference group has been adjusted to fit the growth of ASML, so that ASML is positioned again around the median in terms of size. The reference group contains fewer Dutch and more European companies since the labor market for board members is becoming more and more international.

2. The Total Direct Compensation (TDC) at target has been adjusted so that it is closer to the median TDC levels of the revised reference group. This is done by keeping the base salary fixed and increasing the at-targets levels of STI and LTI.

3. The financial STI measures will no longer be a fixed set of measures, but will in principle be chosen every year prior to the annual performance period from a pre-defined list of measures to allow more flexibility in adjusting target setting to the strategic priorities in any given year, while at the same time providing transparency as to the measures that can be chosen. During, or at the latest shortly after, the annual performance period the chosen financial measures will be disclosed.

4. In the LTI measures, relative ROAIC compared to a peer group will be replaced by an absolute 3-year ROAIC measure and a relative TSR measure compared to an index. This will improve both internal management and external comparison.

5. The share ownership requirement for the two Presidents of the BoM will be increased to three times base salary.