

**REMUNERATION POLICY FOR THE BOARD OF
MANAGEMENT OF ASML HOLDING N.V.
(VERSION ~~2019~~2020)**

Board of Management Remuneration Policy 20192020

This remuneration policy for the Board of Management of ASML Holding N.V. (“BoM”) applies as from January 1, 20192020 onwards.

Introduction

In view of the new legislation resulting from Directive (EU) 2017/828 (Shareholder Rights Directive II), the
The remuneration policy was approved by the Supervisory Board (“SB”) of ASML Holding N.V. (“ASML” or the “Company”) conducted a comprehensive review and comparison of its remuneration policy, which has led to this revised remuneration policy. Typically, ASML conducts a remuneration benchmark every two years in order to assess the level of competitiveness of the remuneration, at which moment not only remuneration levels are adjusted to market levels (if necessary), but also other remuneration elements may be adjusted according to new developments and/or requirements. The last policy review was a year ago, in 2019, and a next review is planned for 2021. The SB decided to apply in 2020 only changes necessary to comply with the above-mentioned legislation.

The remuneration policy was approved by the ~~”)SB~~ of ASML, upon recommendation of its Remuneration Committee (“RC”) and adopted by the Annual General Meeting of Shareholders (“AGM(“GM”) on 2622 April 2017. Some small adjustments were adopted2020. The Works Council exercised its right to cast its advisory vote prior to adoption.

Remuneration as a strategic instrument

The remuneration policy supports the long-term development and strategy of the Company in a highly dynamic environment, while aiming to fulfill all stakeholders’ requirements and keeping an acceptable risk profile. More than ever, the challenge for us is to drive technology, to serve our customers and to satisfy our stakeholders. These drivers are embedded in the identity, mission and values of ASML and its affiliated enterprises and are the backbone of the remuneration policy. The SB ensures that the policy and its implementation are linked to the Company’s objectives.

The objective of the remuneration policy is to enable ASML to attract, motivate and retain qualified industry professionals for the BoM in order to define and achieve our strategic goals. The policy acknowledges the internal and external context as well as our business needs and long-term strategy. The policy is designed to encourage behavior that is focused on 24 April 2019. long-term value creation and the long-term interests and sustainability of the Company, while adopting the highest standards of good corporate governance. The policy is aimed at motivating for outstanding achievements, using a combination of non-financial and financial performance measures. Technology leadership and customer value creation are the key drivers of sustainable returns to our shareholders.

Remuneration principles

The remuneration philosophy that ASML applies for all its employees includes the principle that ASML wants to pay what is fair in the relevant labor market. The SB applies the same principle for the BoM of ASML and in doing so takes the pay and

employment conditions for the ASML employees into account when formulating the remuneration policy. The level of support in society for the remuneration policy that ASML applies is important to us and is taken into account when formulating the various elements of this remuneration policy. The Supervisory Board has considered the external environment in which the Company operates, the relevant statutory provisions and provisions of the Dutch corporate governance code, competitive market practice as well as the guidance issued by organizations representing institutional shareholders and input from ASML's major shareholders. Furthermore, advice has been obtained from an external remuneration expert as well as from the Works Council.

The policy is built on the following principles:

- Transparent – the policy and its execution are clear and practical
- Alignment – the remuneration policy is aligned with the Short-term Incentive and/or Long-Term Incentive policy for ASML senior management and other ASML employees
- Long term – the incentives focus on long-term value creation
- 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

Reference group and market positioning

~~The selection of companies for the reference group is driven by criteria of comparability.~~ Similar to the remuneration philosophy for all ASML employees, ASML offers the BoM a remuneration package that is competitive compared to a relevant labor market. To define this market, a reference group is created, consisting of companies that are comparable to ASML in terms of size and complexity, data transparency and geographical area. For as long as ASML is positioned around the median of the group of companies with respect to size (measured by enterprise value, revenue and number of employees), and thus complexity, the median market level may serve as a reference in determining the level of pay for the **Board of Management** (“BoM”).

In principle, the benchmark is conducted every two years. In the year without a market assessment, the SB considers the appropriateness of any change of base salary on the market environment as well as the salary adjustments for other ASML employees. To ensure an appropriate composition of the relevant labor market, the SB reviews the composition of the reference group ~~in conjunction with~~ the frequency of the time a benchmark is conducted. Substantial changes applied to the composition of the reference group will be proposed to the shareholders.

The reference group consists of the following companies:

Reference Group composition	
AkzoNobel	Leonardo-Finmeccanica
Alstom	Linde
Continental	Nokia
Covestro	Philips
DSM	SAP
Essilor	Schindler
Evonik	Shire
Givaudan	Smith & Nephew
Infineon Technologies	Solvay
Legrand	Yara International

Total Direct Compensation

The remuneration levels are determined using the Total Direct Compensation (“TDC”). TDC consists of base salary, a short-term incentive (“STI”) and a long-term incentive (“LTI”). Each component and corresponding performance measures are described in this chapter.

~~Other remuneration elements are pension and expense reimbursements. The latter may include company car costs, travel expenses, representation allowances, housing costs (gross amount before taxes), social security costs, and health and disability insurance costs.~~

Base salary

The policy prescribes a benchmark that will only be conducted for the TDC level. The base salary of BoM members is derived from this level.

Variable Income

The performance parameters are set by the SB and consist of financial and qualitative measures: in such a way that an optimal balance is achieved between the various Company objectives, both in the short term and the long term. By doing so, it is ensured that the variable compensation (the STI and LTI) contributes to the strategy, long-term interests and sustainability of the Company. The SB may adjust the performance measures and their relative weighting of the variable income based on the rules and principles as outlined in this policy, if required by changed strategic priorities in any given year. The SB assesses the extent to which performance standards are met at the end of a performance period.

Variable compensation (on-target)	Presidents	Other Board members
STI	80%	80%
LTI	110%	100%
Total Variable Compensation as % of base salary	190%	180%

~~In order to comply with the highest standards of Corporate Governance the appropriate claw back and change in control provisions are incorporated in the employment contracts and management services contracts of all members of the BoM.~~

The SB has the discretionary power to adjust the incentive pay-out up- or downward if it feels that the outcome is unreasonable due to exceptional circumstances during the performance period ('ultimum remedium'). Scenario analyses of the possible outcomes of the variable remuneration components and their effect on the remuneration of the Board of Management are conducted.

Short-Term Incentive

The STI refers to the annual performance-related cash incentive that is applicable to all members of the BoM. The target level of the STI is set at 80% of base salary for all members. In case of excellent performance the maximum opportunity amounts to 150% of target.

~~In order to achieve alignment in the remuneration structure of the BoM and other ASML employees, the policy includes a modifier on the STI pay-out that is connected to the profit-sharing program for employees in the Netherlands. In applying the modifier, the SB will take into account the pay-out under the profit-sharing scheme for ASML employees. The modifier enables the SB to discretionary adjust the STI pay-out of the BoM upward with 10% or downward with 20% of base salary. STI performance measures, target setting and pay-out scheme as set out in this remuneration policy are in principle the same as for the STI that is applicable to all employees world-wide in ASML (except employees in the Netherlands that fall under the local collective labor agreement and that so far have an own profit sharing plan).~~

For the STI the following criteria are set:

Performance Measure	Weight
Qualitative	
1. Technology Leadership Index	20%
2. Market position	20%
Financial	60%
3. Every year, prior to the performance period, the SB choses several financial measures from below list , depending on business challenges and circumstances, with a total weight of 60%%.	
Total	100%

The financial measures are in principle chosen from the following list: ~~The SB may deviate from this list when necessary, given any specific challenges in a given year, but will as much as possible choose measures from the below list.~~

Measure	Description
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Sales	Revenues as included in the US GAAP financial statements
Gross Margin %	Gross Profit as a percentage of revenues
R&D opex	R&D expenses as included in the US GAAP financial statements
SG&A opex	SG&A expenses as included in the US GAAP financial statements
EBITDA Margin %	Income from operations (plus depreciation and amortization) as percentage of revenues
EBIT Margin %	Income from operations as percentage of revenues
Net Margin %	Net income as a percentage of revenue
Free Cash Flow	Cash flow from operations minus purchases of Property, Plant and Equipment and intangible fixed assets
Cash Conversion Cycle¹	DIO+DSO-/-DPO
Capital Expenditures	Investment in property, plant and equipment

The performance measures form a balanced mix of financial (60%) and other business measures (40%). %, which together ensure a balanced focus on both the (financial) performance of the Company in the short term, as well on the sustained Company future in terms of technological advancement and customer satisfaction. Although the targets are set and assessed on an annual basis, in their character they fuel long-term success.

For each of the performance criteria the SB sets challenging, but realistic target levels. The target setting and performance review occur on an annual basis, except for circumstances where the SB considers semi-annual target setting more appropriate. All performance measures are set in advance and will not change during the performance period.

The pay-out levels are prorated upon the level of achievement of the aforementioned performance criteria. Below threshold performance, there is no pay-out. Meeting threshold performance will result in a pay-out of 50% of target pay-out. In case of excellent performance, the maximum pay-out is capped at 150% of the target pay-out. The STI is paid on an annual basis.

¹ SB could also decide to focus on certain elements of Cash Conversion Cycle in any year, i.e. DIO, DSO and/or DPO, instead of Cash Conversion Cycle only

- DIO = Days Inventory Outstanding = Average (last 4 quarters) annual inventory divided by last 4 quarters Sales
- DSO = Days Sales Outstanding = Average (last 4 quarters) accounts receivables divided by last 4 quarters Cost of Sales
- DPO = Days Payable Outstanding = Average (last 4 quarters) accounts payables divided by last 4 quarters Cost of Sales

Long-Term Incentive

To further enhance a long-term focus and alignment with the long-term strategy of the Company, ASML also grants a long-term incentive (LTI) to its BoM, with a five-year horizon (a three-year performance period plus a two-year holding period).

The LTI refers to the share-based incentive. The target level of the LTI is set at 110% of base salary for the Presidents and 100% for the other members of the BoM. In case of excellent performance the maximum opportunity amounts to 200% of target.

The performance shares are conditionally granted on an annual basis to the members of the BoM. The shares will become unconditional depending on the achievement of predetermined performance targets during a three-year period. Each performance cycle starts on the first day of the year of grant. The number of performance shares to be conditionally awarded is calculated at the beginning of this period using the volume-weighted average share price during the last quarter of the year preceding the conditional award.

Performance measures

Three types of performance measures relate to the LTI:

The LTI performance measures applied for the BoM are identical to the LTI performance measures applied for the senior and executive management population of ASML, to ensure optimal alignment with the employees of ASML that receive performance shares. The performance measures are chosen in such a way that an optimal balance is achieved between the direct interest of ASML's investors, the long-term financial success of the Company, the long-term continuation of technological advancement, as well as the environmental and social dimensions of sustainability. By doing so, the LTI contributes to the strategy, long-term interests and sustainability of the Company.

The above is reflected in the following LTI performance measures:

- ASML's Total Shareholder Return ("TSR") compared to a reference index
- ASML's Return on Average Invested Capital ("ROAIC") compared to a pre-defined target to be set by the SB prior to the performance period
- Long-term strategic qualitative targets to ensure ASML's ability to keep performing at high standards. Depending on the strategic requirements the definition and relative weight may change upon the discretion of the SB
 - Technology Leadership Index
 - Sustainability

The definition of the TSR target and calculation is as follows:

- ASML's relative change in share price, plus dividends paid over the relevant performance period. The TSR is calculated as the difference between (i) the average (closing) share price during the last quarter of the performance period

and (ii) the average (closing) share price during the quarter preceding the performance period; in the calculation, dividends are re-invested at the ex-dividend date. The TSR of ASML (calculated with the ASML New York share) is compared to the PHLX Semiconductor Sector Index. This NASDAQ index is designed to track the performance of a set of companies engaged in the design, distribution, manufacture, and sale of semiconductors. There are two versions of this index, a price return index and a total return index, the latter of which is chosen (NASDAQ: X.SOX), since this index reinvests cash dividends, equivalent to the TSR definition described above).

The definition of the ROAIC target and calculation is as follows:

- ASML's rate of return on capital it has put to work, regardless of the capital structure of the Company. It is used as a fundamental metric to measure value creation of the Company. The ROAIC is calculated by dividing the Net Operating Profit After Tax ("NOPAT") by the Average Invested Capital ("AIC").

The aforementioned performance measures receive the following weights:

LTI performance measures	
ROAIC	40%
TSR	30%
Technology Leadership Index	20%
Sustainability	10%
Total	100%

Performance incentive zone

The vesting of performance shares depends on the relative TSR as compared to the aforementioned index, the ROAIC performance as compared to the pre-defined target and the evaluation of the qualitative targets by the SB. The vesting will be calculated at the end of the three-year performance period for all performance measures, based on a predefined pay-out matrix.

Performance ASML vs PHLX Index (TSR ASML -/ - TSR X.SOX)	Pay-out as a % of target
≥ 20%	200%
Between 0% and 20%	Linear between 100% and 200%
Between -20% and 0%	Linear between 50% and 100%
< -20%	0%

For ROAIC, the Technology Leadership Index and Sustainability targets, the same principle of threshold, target and maximum levels applies as for the STI, with the maximum pay-out equal to 200% of target. The SB, in cooperation with the relevant subcommittees (Technology and Strategy Committee, Audit Committee and Remuneration Committee) will assess the performance achieved against ROAIC

and the qualitative targets. Both the STI and LTI make use of the Technology Leadership Index as a qualitative performance measure. The objective is equal, but the applicable measures, targets and performance periods are different and aligned with specific short- and long-term strategic priorities.

Grant date

Performance shares will be granted two days after the publication of ASML's annual results in January, of the year in which the three-year performance period starts.

Holding period

The minimum holding period is two years after the vesting date. Upon termination of the employment contracts/management services contracts the transfer restrictions will remain in place during the holding period except in case of passing away.

In case a tax payment is due by the members of the BoM over the retrieved variable income, performance shares may be partially sold at vesting ('sell to cover') in accordance with the law and internal regulations.

Share ownership guidelines

~~Members of the BoM are required to hold at least two times base salary in the form of shares; for the two Presidents this is three times base salary. This ensures an alignment of the interests of members of the BoM with long-term value creation throughout their employment with/services for the Company. The RC of the SB will (i) after each financial year, determine the value of ASML shares then held by the individual members of the BoM, based on the shareholding data of the members of the BoM (to be) published in the annual report over that year, (ii) include vested ASML shares that are still in the holding period when determining the value of the ASML shares held by the individual members of the BoM, (iii) not define penalties upfront should the value of ASML shares held by a member of the BoM be lower than agreed, but determine potential penalties by using its discretionary judgment, thereby taking into consideration all relevant circumstances, and (iv) allow new members of the BoM time to meet the share ownership requirements (3 years, depending on the actual situation).~~

In order to ensure alignment between the interests of the members of the BoM and the Company's long-term value creation, minimum share ownership guidelines apply. Presidents are required to hold at least three times their annual base salary in the form of shares. The minimum shareholding requirement for all other members of the BoM is the equivalent of at least two times their respective annual base salaries. New members of the BoM are granted a three-year period to comply. The SB may use its discretionary judgement to allow for a temporary deviation of this guideline in extraordinary circumstances. In case of a shortfall, this will be remediated through the next vesting of shares.

Other remuneration

Benefits

The pension arrangement for the BoM is based on the 'excedent' (supplementary) arrangement for ASML employees in the Netherlands. The plan is a defined contribution opportunity as defined in Dutch fiscal regulations. The total defined contribution is a percentage of the pensionable salary, which is equal to the base salary minus the Witteveen threshold¹, and depends on the participants' age at the beginning of the year. The total net contribution is according to the maximum level as allowed by Dutch fiscal legislation, of which the participant contributes 3.9% of his pension base.

Dependents pension and disability pension are insured on a risk basis, the premium of which is paid by ASML. As a guiding principle, the value of the pension arrangement is set at the median of executive pensions in the Netherlands using a general industry sample of companies.

An additional remuneration element is expense reimbursements, such as company car costs, travel expenses, representation allowances, housing costs (gross amount before taxes), social security costs, and health and disability insurance costs.

Contract terms

Management services agreements with BoM members

The Company will enter into a management services agreement with each BoM member for the duration of their respective appointments as BoM member. BoM members are appointed for a maximum period of 4 years, after which reappointment is possible. The management services agreements can be terminated by each party by observing a notice period (6 months for ASML and 3 months for the BoM member).

Severance payment

All ~~employment agreements respectively~~ (management services) agreements with members of the BoM contain specific provisions regarding benefits upon termination of those agreements. If the Company gives notice of termination of the agreement for reasons which are not exclusively or mainly found in acts or omissions on the side of the BoM member, a severance amount equal to one year base salary will be made available upon the effective date of termination.

¹ Dutch pension arrangements have a threshold in the buildup of pension entitlements. This threshold exists because all participants are assumed to be entitled to the Dutch state pension (AOW) and therefore do not need an additional pension over the first part of their pensionable income.

The minimum level in the fiscal legislation for this threshold is related to the AOW allowance and is known as the Witteveen-threshold. This threshold is calculated as the annual AOW allowance (including holiday allowance) for a married person times 10/7.

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This severance payment will also be made available in case of a termination of the agreement of a BoM member with mutual consent between such BoM member and the Company.

Change of control over the Company

BoM members are also entitled to the aforementioned severance payment in the event ASML or its legal successor gives notice of termination due to a change of control or if the BoM gives notice of termination, which is directly related to such change of control and such notice is given within twelve months from the date on which the change of control occurs.

The change of control provision includes a mitigation of the pay-out under the LTI. This entails that the share price will be fixed on the average of i) the average closing share price over a period of 15 trading days prior to the first public announcement of change in control negotiations and ii) the average share price over a period of 30 trading days prior to the closing of the transaction.

Claw-back

In order to comply with the highest standards of Corporate Governance the claw-back provisions as laid down in the Dutch Civil Code are incorporated in the (management services) agreements of all members of the BoM.

Loans

ASML does not grant any loans or guarantees to any of the members of the BoM.

Decision-making process

At least every four years, the Company will submit the remuneration policy to a vote by the GM, upon a proposal of the SB following the recommendation of the RC and advice of the Works Council. In case of a revision of the remuneration policy, a description and explanation is presented of all significant changes, including the rationale for those revisions and other aspects as required by law or the Corporate Governance Code. It is the Company's policy to seek input from organizations representing institutional shareholders as well as from ASML's major shareholders in case significant changes to remuneration arrangements are proposed. The SB is responsible for the execution of the remuneration policy.

Derogation

In the event of exceptional circumstances, the SB may at its own discretion, upon recommendation of the RC, decide to temporarily derogate from the remuneration policy. A derogation for exceptional circumstances only covers situations in which the derogation from this remuneration policy is necessary to serve the long-term interests

and sustainability of the Company as a whole or to assure its viability. Such exceptional circumstances include, but are not limited to, situations such as the urgently required appointment of a BoM member or the buy-out of remuneration forfeited on joining the Company to facilitate recruitment of new BoM members, comprising cash or equity incentives. Derogation may relate to the following aspects of this remuneration policy (including the subsections thereof): Total Direct Compensation, Other Remuneration and Contract Terms.