



# ANNUAL REPORT 2014







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## ICONS by category

### DRIVE

-  CAR
-  MOTORCYCLE
-  CAMPER & CARAVAN
-  TRUCK

### SPORT

-  RUNNING
-  CYCLING
-  SWIMMING
-  GOLF

### PRODUCT-RELATED

-  CONNECTED CAR
-  DIGITAL MAP
-  MULTINET-R
-  REAL-TIME TRAFFIC INFORMATION
-  NAVKIT NAVIGATION ENGINE
-  NAVCLOUD
-  CLOUD-BASED PRODUCTS
-  WEBFLEET
-  TELEMATICS APP CENTER
-  FLEET

### FINANCE & STRATEGY

-  ACCOUNTING POLICIES
-  SIGNIFICANT ESTIMATES
-  OUTLOOK
-  STRATEGY

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## FORWARD-LOOKING STATEMENTS/IMPORTANT NOTICE

This document contains certain forward-looking statements with respect to the financial condition, results of operations and business of TomTom NV (the company) and certain of the plans and objectives of TomTom and its subsidiaries (together with the company referred to as 'the group') with respect to these items. In particular the words 'expect', 'anticipate', 'estimate', 'may', 'should', 'would', 'believe' and similar expressions are intended to identify forward-looking statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Actual results may differ materially from those expressed in these forward-looking statements, and you should not place undue reliance on them. We have based these forward-looking statements on our current expectations and projections about future events, including numerous assumptions regarding our present and future business strategies, operations and the environment in which we will operate in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, levels of customer spending in major economies, changes in consumer tastes and preferences, changes in law, the performance of the financial markets, the levels of marketing and promotional expenditures by the group and its competitors, raw materials and employee costs, changes in exchange and interest rates (in particular changes in the USD and GBP versus the euro can materially affect results), changes in tax rates, future business combinations, acquisitions or disposals, the rate of technological changes, political and military developments in countries where the company operates and the risk of a downturn in the market.

Statements regarding market share, including the company's competitive position, contained in this document are based on outside sources such as specialised research institutes, industry and dealer panels in combination with management estimates. Where full year information regarding 2014 is not yet available to the company, these statements may also be based on estimates and projections prepared by outside sources or management. Market shares are based on sales in units unless otherwise stated. The forward-looking statements contained refer only to the date in which they are made, and we do not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date of this annual report.

## **INTRODUCTION**

TomTom is committed to being transparent and accountable in the way we do business. Our corporate governance structure supports and contributes to fulfilling this commitment to all our stakeholders. We monitor our corporate governance structure continuously, to ensure compliance with Dutch legislation, the Dutch Corporate Governance Code (the Code), the company's Articles of Association, applicable securities laws, and the rules and regulations of NYSE Euronext Amsterdam, complemented by several internal policies and procedures.

In this section, TomTom addresses its overall corporate governance structure and compliance with the best practice provisions of the Code. Occasional deviations from the Code are explained and information is provided on the reasons for doing so.

Furthermore, any substantial changes in the corporate governance structure of TomTom and its compliance with the Code will be explained to the shareholders at a General Meeting.

## **DEVIATIONS FROM THE CORPORATE GOVERNANCE CODE**

As a Dutch listed company, TomTom is subject to the Code. The Management Board and Supervisory Board are committed to complying with the best practice provisions of the Code and will continue to do so.

TomTom complies with all of the relevant provisions of the Code, with the exception of the following provisions: II.2.4 and IV.1.1. The reasons for these deviations are explained below.

### **Provision II.2.4**

*Best practice provision II.2.4 provides that if options are granted, they shall, in any event, not be exercised in the first three years after the date of granting. The number of options to be granted shall be dependent on the achievement of challenging targets specified beforehand.*

At the 2014 General Meeting, the proposal to amend the remuneration policy with regard to the long-term incentive component laid down in the TomTom NV Management Board Stock Option Plan (the Plan) was adopted. As a result of this decision, the performance conditions for the vesting of the options were removed. All options granted under the Plan shall be granted conditional to continued employment of the members of the Management Board only. TomTom deviates from best practice provision II.2.4 to the extent that it does not specify targets beforehand. A vesting period of three years remains applicable.

The reason for amending the remuneration policy was to align it better with international high-tech sector practice. Under the new plan, the Management Board remains continuously focused on creating more value for its shareholders.

TomTom's comparator companies are international companies in the high-tech sector. These companies continue to favour stock option plans and operate in environments not subject to the Code. The current Plan is reflective of competitive practices and enables TomTom to be competitive for international senior leadership talent.

Furthermore, the inclusion of vesting conditions in addition to the increase of TomTom's share price of the options results in multiple layers of hurdles for the Management Board to potentially obtain value. Stock options carry an innate de facto performance condition that focuses on achieving stock price growth before value can be derived from stock option grants. The value of the stock option remains wholly dependent on the development of the company's stock price.

This new remuneration policy is deemed to be appropriate for the company at this time.

### **Provision IV.1.1**

*Best practice provision IV.1.1 provides that the General Meeting may pass a resolution to cancel the binding nature of a nomination for the appointment of a member of the Management Board or the Supervisory Board and/or a resolution to dismiss a member of the Management Board or of the Supervisory Board by an absolute majority of the votes cast. It may be provided that this majority should represent a given proportion of the issued capital, which proportion may not exceed one-third.*

TomTom's Articles of Association provide that a binding nomination for the appointment of members of the Management Board or of the Supervisory Board may only be set aside by a resolution of the General Meeting passed with a two-thirds majority representing more than 50% of its issued share capital. The same provision applies to any resolution to dismiss a member of the Management Board or of the Supervisory Board.

The company deviates from the best practice provision outlined in the preceding paragraph because it believes that maintaining continuity in its Management Board and Supervisory Board is critical for delivering long-term shareholder value. The company would like to protect its stakeholders against a sudden change in management by maintaining the qualified majority and voting quorum requirement, which is consistent with Dutch law.

## **LEGAL STRUCTURE OF THE COMPANY**

TomTom NV is a public limited liability company established under Dutch law and listed on NYSE Euronext Amsterdam in the Netherlands. TomTom has a two-tier governance structure consisting of a Management Board and a Supervisory Board.

## **MANAGEMENT BOARD**

### **General**

The Management Board is responsible for the day-to-day management of the operations of the company. Its responsibilities involve setting and achieving the company's strategic objectives, managing the company's strategic risks, legal compliance and corporate social responsibility matters insofar as these are relevant to the company's business. In these areas the Management Board is accountable to the Supervisory Board and to the General Meeting. In performing its duties, the Management Board is guided by the interests of the company, taking into consideration the interests of the company's stakeholders as a whole. The Management Board must provide the Supervisory Board with all information necessary for the exercise of the duties of the Supervisory Board in a timely manner. Furthermore, the Management Board must consult with the Supervisory Board on

important matters and submit important decisions to the Supervisory Board for its prior approval.

### Composition and appointment

The Articles of Association provide that the Management Board must consist of at least two members. Each member of the Management Board is appointed for a maximum period of four years and may be re-appointed for another period of not more than four years. The General Meeting appoints the members of the Management Board, subject to the right of the Supervisory Board to make a binding nomination.

The General Meeting may at all times, by a resolution passed with a majority of at least two-thirds of the votes cast, and representing more than 50% of the issued share capital, resolve that the nomination submitted by the Supervisory Board is not binding. In such a case, the General Meeting may appoint a member of the Management Board in contravention of the Supervisory Board's nomination by a resolution passed with a majority of at least two-thirds of the votes cast, representing more than 50% of the issued share capital. If the Supervisory Board fails to use its right to submit a binding nomination, the General Meeting may appoint members of the Management Board with a majority of at least two-thirds of the votes cast, representing more than 50% of the issued share capital.

A resolution of the General Meeting to suspend or dismiss members of the Management Board requires a majority of at least two-thirds of the votes cast, representing more than 50% of the company's issued share capital.

### Members of the Management Board

The Management Board currently consists of three members and meets the requirements set by the Act on Management and Supervision (*Wet Bestuur en Toezicht*) with respect to gender diversity. The members of the Management Board are jointly authorised to represent the company.

Biographies of the members of the Management Board, as well as other details relating to their careers can be found in the [Management Board Report](#) section.

### Remuneration

Upon a proposal by the Remuneration Committee, the Supervisory Board determines the remuneration of the individual members of the Management Board in accordance with the company's remuneration policy for the Management Board. The remuneration policy was adopted in 2009 and amended by the General Meeting in 2011 respectively in 2014 as further set out in the [Deviations from the Corporate Governance Code](#) section of this report.

For further information about the remuneration of the members of the Management Board, reference is made to the [Remuneration Report](#) included in the Supervisory Board Report, as well as [note 33. Remunerations of members of the Management Board and the Supervisory Board](#) in the consolidated financial statements.

### Conflicts of interest

Members of the Management Board must report any (potential) conflict of interest to the Chairman of the Supervisory Board. The Supervisory Board shall decide whether a conflict of interest exists. The member of the Management Board who has a (potential)

conflict of interest may not be present at such meetings. Matters in which the company has a conflict of interest with a member of the Management Board in his private capacity are subject to the prior approval of the Supervisory Board. During 2014, no such conflicts of interest were reported.

## SUPERVISORY BOARD

### General

The Supervisory Board is responsible for supervising the conduct of management by the Management Board and the general course of affairs of the company and its affiliates. The Supervisory Board may on its own initiative provide advice to the Management Board. The Management Board can also request the Supervisory Board's advice. The Supervisory Board acts in the interest of the company as well as that of its stakeholders as a whole in performing its duties.

The Articles of Association require that certain decisions of the Management Board be subject to the approval of the Supervisory Board. Resolutions of the Management Board to issue shares, to grant rights to acquire shares or to restrict or exclude pre-emptive rights require prior approval from the Supervisory Board. Other resolutions requiring such approval include, among others:

- Proposals to amend the Articles of Association;
- Proposals to conclude a legal merger or a legal demerger;
- Proposals to reduce the issued share capital; and
- Matters in which the company has a conflict of interest with a member of the Management Board in his private capacity.

### Composition and appointment

The Articles of Association provide that the Supervisory Board should consist of three or more members. Members of the Supervisory Board may be appointed for a maximum of three times a term of four years. The Supervisory Board appoints a Chairman and a Deputy Chairman from amongst its members. The members of the Supervisory Board retire periodically in accordance with a rotation plan.

The General Meeting appoints the members of the Supervisory Board, subject to the right of the Supervisory Board to make a binding nomination.

The General Meeting may at all times, by a resolution passed with a majority of at least two-thirds of the votes cast, and representing more than 50% of the issued share capital, resolve that the nomination submitted by the Supervisory Board is not binding. In such cases, the appointment of a member of the Supervisory Board in contravention of the nomination requires a resolution of the General Meeting adopted with a majority of at least two-thirds of the votes cast, representing more than 50% of the issued share capital. A resolution of the General Meeting to suspend or dismiss members of the Supervisory Board requires a majority of at least two-thirds of the votes cast, representing more than 50% of the issued share capital.

The Supervisory Board has determined a profile regarding its size and composition, taking into account the nature of TomTom's business, its activities and the desired expertise. The Supervisory Board aims for a diverse composition and will strive for a fair balance between experience, expertise, gender, age and background. When nominating a candidate for (re)appointment,