

Remuneration report

As referred to in article 2:135b of the Dutch Civil Code and in principle 3.4 of the Dutch Corporate Governance Code. This Remuneration report is based on the company's Remuneration policy. A draft of this policy was presented to the shareholders, together with the Works Council's advice, for their approval at the Annual General Meeting of Shareholders on 14 May 2020. The Remuneration policy was approved by the AGM and published on the Corporate Governance section of the website of Sif. An outline of the Remuneration policy is included in the Governance-paragraph of this annual report on page 67. In their 2020 advice, the Works Council made two recommendations. The Supervisory Board accepts the Works Council's conditions and takes heed of their recommendations. These recommendations will primarily be reflected in the annual remuneration reports:

1. To ensure that the pay ratio does not exceed the current level and to keep this within the bandwidth of 6.8–8.9. The Supervisory Board's opinion is that the bandwidth is a reasonable spread for the current structure, certainly when bearing in mind that the Sif pay ratio has remained well within this range for many years. In order to maintain flexibility should circumstances suddenly and drastically change, the Supervisory Board will observe it without including a bandwidth in the policy;
2. To maintain a balance between short-term and long-term remuneration that tips toward long-term remuneration. The long-term incentive is currently 20% of basic salary on award. This is in line with practises at a number of other listed companies in the Netherlands. Whether this incentive is also 20% of the basic salary at the time of vesting and payment depends on share-price development. In 2020 the first LTIP award (to CFO Leon Verweij) vested at 9% of basic salary or 25% of total variable remuneration. The Supervisory Board will certainly examine this recommendation, although its inclusion in the policy is complicated by an uncertainty in the longer-term remuneration at the time of payment.

The remuneration policy is instrumental to the realization of Sif's strategy and to longer term value creation for all the stakeholders of the company. For remuneration of Executive Board members, Sif applies a peergroup comparison. In 2020 Sif undertook a market analysis with support of external consultants. This resulted in a revised peergroup including 7 listed and 7 non-listed companies. Main criteria for peergroup-selection were a combination of the type of business (project-business),

ownership (public ownership) and size (revenues and employees). The median of the new peer-group, based on total remuneration, appeared to be 5,5 % lower than the median of the previous peer-group as defined in 2016 for the CEO and 10% lower for the CFO. Based on the 2019 remuneration SIF takes a median position in this new peergroup for Executive Board remuneration.

The following overview summarizes the salaries and performance related bonuses and other remuneration elements of the Executive Board for the past 2 years. The remuneration for 2020 is based on the Remuneration policy as approved by the Annual General Meeting of Shareholders in 2020. This policy does not deviate a lot from the policy that was approved at the Annual General Meeting of Shareholders in 2017. The adoption of social and environmental KPI's in addition to financial KPI's that now also include ROACE, better match the business Sif is in and the strategy Sif is following. Together with the suggested STI-LTI-balance, these support the ambition to create long-term value. Scenarios have been analyzed and taken into consideration when designing the remuneration policy.

Executive Board remuneration

Type of recompense In €, excluding VAT	Fred van Beers		Leon Verweij	
	2020	2019	2020	2019
Base salary	376,747	367,200	282,874	275,706
Employer's pension contributions	21,281	22,662	41,312	39,615
Pension compensation	48,596	47,315	40,368	48,196
Annual bonus (accrual)	95,893	131,694	98,841	37,760
LTIP	-	-	25,724	-
Other benefits (car lease, travel expenses and relocation expenses)	40,992	49,225	38,037	44,611
Social security and other payments	10,182	10,995	10,182	10,995
Total remuneration	593,691	629,091	537,338	456,883
Paid annual bonus in the year, earned over the previous year	80,370	49,863	78,573	135,624
Paid vested LTIP	-	-	25,724	-
Total actual paid variable remuneration	80,370	49,863	104,297	135,624

The remuneration package includes the following elements:

Base salary

The base salary for Executive Board members increased with the cost-of-living index in 2020. This implies a 2.6% increase.

Annual bonus

The annual bonus is in cash and based on pre-defined KPI's that may differ for each Executive Board member. The Supervisory Board confirms that the results on which the 2020 short term incentive for the Executive Board members is based, are derived from the audited financial statements. These audited financial statements need approval by the AGM until which moment the bonus is preliminary and included in the financial statements as an accrual. Possible deviations in the actual bonus are booked against this accrual in the subsequent year. The bonus on 2020 is paid in cash in 2021 as soon as the annual accounts are approved by the Annual General Meeting of Shareholders. The bonus is based on financial performance indicators EBIT, contribution and ROACE for 60% and on non-financial performance indicators safety, sickness leave and personal targets for 40%.

	target 2020	actual 2020	bonus contribution
Contribution in € mln	99.7	101.6	
EBIT in € mln	9.2	11.4	60%
ROACE in %	7.36	18.9	
Safety TRIF	< 13	9.9	40%
Sickness leave	5.5	5.5	

At target, the short-term incentive is 40% of base salary for the CEO and 35% for the CFO. The maximum short-term incentive is 60% or 50% of base salary for CEO and CFO respectively. For 2020 the pay-out percentages (actual paid short-term bonus as a percentage of basic salary in the year of pay-out) for Executive Board members were 21.3% for the CEO and 27.8% for the CFO. In 2019, the pay-out percentage for the short-term bonus was 13.6% of fixed base salary for CEO and 49.2% of fixed base salary for CFO.

Pension

Executive Board members are offered a pension arrangement for a pensionable salary that is based on the fixed annual compensation including holiday allowance. The company may contribute for 100% to the pension premiums. The pension contribution covers the maximum pension amount, the pension compensation covers the excedent arrangements with or without director-contribution.

LTIP

Under the long-term incentive plan 7,055 PSUs with value of €70,374 were conditionally awarded to CEO (7,425 in 2019 with value of €73,433) and 5,297 PSUs with value of €56,572 were conditionally awarded to CFO (5,575 in 2019 with value of €55,137). The 2017-awards were the first under this LTIP. They vested in 2020. The pay-out on vested LTIP-arrangements to CFO was € 25,724 in 2020.

Severance payment

Executive Board members are entitled to contractual severance payments amounting to six months' salary in the event of a change of control of the Company and in the case of early dismissal at the request of the Supervisory Board and the General Meeting of Shareholders other than for termination due to cause.

Internal pay ratio

The average total pay per FTE of members of the Executive Board (CEO and CFO) in comparison to a reference group of all Sif employees (the pay ratio) is 7.6 (8.2 in 2019). The pay ratio at Sif is calculated as the gross expenses of all Sif employees, Executive Board members excluded. Gross expenses for all Sif employees include wages and salaries, social security contributions and pension expenses as reported in Note 7 to the financial statements. This results in total gross expenses of €25,073 thousand for 313 FTEs (€ 23,985 thousand for 293 FTEs in 2019) when excluding Executive Board members or € 80,358 (€ 81,838 in 2019) per Sif employee based on the average number of employees for the year under review. The comparable expenses for Executive Board members include base salary, employer's pension contributions, pension compensation, annual bonus and social security and other payments as reported in Note 32 to the financial statements. Different than in previous years, the pay ratio now also includes LTIP value at vesting date. This results in total gross expenses of €1,052,000 for 2 FTE (€992,138 for 2 FTE in 2019) or €526,000 (€469,069 in 2019) per Executive Board member.

The 2019 Remuneration report was discussed in the Annual General Meeting of shareholders 2020 and presented for an advisory vote. Of the shares voted for (74.02% of shares issued), 84.89% voted in favor. Questions from the shareholders related to disclosure of targets for short-term incentives. These targets are now disclosed in hindsight (targets for 2020 in the annual report 2020). Reference is made to the table on page 35.

Remuneration and company performance

	2020	2019	2018	2017	2016	2015
Executive Remuneration (in €)						
Fred van Beers	593,691	629,091	231,677			
Jan Bruggenthijns ¹			766,327	1,343,678	2,697,661	441,049
Boudewijn Nijdam ²					1,505,289	112,029
René Schmeitz ³					1,481,578	348,810
Leon Verweij	537,338	456,883	609,853	290,482		
Pay ratio	7.6	8.2	8.5	7.6		
Company performance indicators						
Contribution/ton*	609	542	539	585	678	670
EBITDA	31,756	26,371	13,258	57,118	65,395	57,815
Net debt (ex-IFRS 16) year-end	-2,645	21,293	30,377	25,107	41,969	26,894

- ¹ Chief Executive Officer as of September 2014 until 3 May 2018.
² Chief Financial Officer as of September 2015 until January 2017.
³ Chief Financial Officer until September 2015.
* ex marshalling revenues 2019 and 2020

Supervisory Board Remuneration

The General Meeting of Shareholders determines the remuneration of the Supervisory Board members. The remuneration is in no way dependent on Sif's results; Supervisory Board members receive a fixed amount as remuneration; they do not receive a performance related remuneration nor are they awarded Sif shares or share options as part of their remuneration.

SUPERVISORY BOARD REMUNERATION

in € ¹	Remuneration				
	2020	2019	2018	2017	2016
André Goedée	70,000	70,000	70,000	70,000	70,000
Maarten Schönfeld ²			20,000	60,000	52,500
Peter Gerretse	45,000	45,000	45,000	45,000	40,000
Caroline van den Bosch	45,000	45,000	45,000	45,000	40,000
Peter Wit ³	45,000	45,000	30,000		
Peter Visser	45,000	45,000	45,000	7,500	
Alexander van Wassaer ⁴				37,500	45,000
Total remuneration	250,000	250,000	255,000	265,000	247,500

¹ excluding VAT and expenses

² resigned 3 May 2018

³ appointed 3 May 2018

⁴ resigned 23 October 2017