

Sif Netherlands b.v.

P.O. Box 522
6040 AM Roermond
Mijnheerkensweg 33
6041 TA Roermond

T +31 (0)475 385 777

E info@sif-group.com

I www.sif-group.com

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Date: 19th March 2020

RE: Remuneration policy for Executive Board and Supervisory Board members

Dear Mr Gerretse,

In accordance with Section 135a of the Netherlands Civil Code, please find enclosed the recommendations of the Works Council (*Ondernemingsraad*) of SIF Holding NV regarding the remuneration policy for members of the company's Executive Board and Supervisory Board. The company's CEO presented this to the Works Council in a letter dated 8th January 2020.

Approach

In conjunction with an external consultant (Dr Evert Smit, Basis & Beleid, Organisational Consultants), the Works Council assessed the proposed remuneration policy as set out in the document titled 'Remuneration policy sif holding n.v. May 2020'. The policy document which has served as the point of departure to date ('Remuneration policy sif holding n.v. June 2016') was also incorporated into this assessment. Obviously, the de facto compensation of the members of the Executive Board in recent years was reviewed as well, with 'Executive and non-executive remuneration surveys' conducted by PWC in 2017 and 2018 being used as a benchmark.

Assessment

The Works Council has broadly defined the following criteria for assessing the remuneration policy:

- The amount of the basic salaries of the members of Executive Board must be sufficient to attract talented directors to the company. However, this should not be excessive.
- The pay gap between the members of the company's Executive Board and its employees should not become too substantial.
- For variable pay, there should preferably not be an excessive emphasis on short-term incentives; instead, there should be a balanced mix of short-term (STI) and long-term (LTI) bonuses.
- It is important to define clear ('SMART') objectives for the variable pay. In addition to financial targets, it is also important to set targets related to Strategy, Health, Safety, Wellbeing and Environment (HSWE) and human resources policy.

We have noted a large number of improvements in the proposed remuneration policy over the previous policy:

- The remuneration of the Executive Board members is clearly embedded in the company's strategy.
- The remuneration of the Executive Board members is linked not only to a peer group, but will (in accordance with the law) also be related to the salaries of non-managerial employees by means of the pay ratio.
- In variable pay, a distinction is made between short-term incentives (STIs) and long-term incentives (LTIs), whereas previously (i.e. up to 2017), there were short-term incentives only
- At the suggestion of the Remuneration Committee, the Supervisory Board will annually define a number of specific targets for the variable pay.
- An option has been added to reclaim ('claw back') erroneously paid bonuses.
- The remuneration policy also provides for the compensation of the Supervisory Board members. This compensation does not have a variable component.

The Works Council would like to make the following comments regarding the proposed remuneration policy:

- We did not have access to the benchmark study conducted in the past by Hay (Korn Ferry) at the initiative of the Supervisory Board. We would like to be informed of the results of any future studies.
- The remuneration policy must be revised once every four years. In the intervening period, the Supervisory Board will set the annual, specific targets for the members of the Executive Board. The Works Council would also like to be advised of these targets in the future.
- The Works Council believes there is too much of an imbalance between STIs and LTIs, with the former being twice to three times the amount of the latter. The PricewaterhouseCoopers Remuneration Survey reveals that this ratio at similar companies (AScX – median quartile) is approximately 1:1.

Recommendation

The Works Council approves the proposed policy, subject to the following conditions:

- The Works Council (i.e. a number of representatives thereof) will be informed of the results of future benchmark studies (commencing in 2020) regarding the remuneration policy.
- If the annual targets set are announced in the future (after the fact), these will also be shared with a group of representatives of the Works Council.

In addition, the Works Council recommends that the following measures be considered:

- Preventing the pay ratio from rising above the current level for the period from 2017 to 2019 (i.e. within the 6.8 to 8.9 range).
- Shifting the ratio between Short-Term Incentives and Long-Term Incentives in such a way as to increase the latter.

Yours sincerely,

On behalf of the Sif Netherlands bv Works Council,
Wouter Nadorp