

# Draft Remuneration Policy for AGM Approval

## Article 1 Introduction

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This document sets out the policy of Sif Holding N.V. (the “**Company**”) concerning the remuneration of the (members of the) executive board (the “**Executive Board**”) and the supervisory board (the “**Supervisory Board**”) of the Company. This policy was first adopted by the general meeting in January 2016 and was supplemented in May 2017 when the general meeting approved the LTI plan. This policy will be subject to shareholder approval at our Annual General Meeting of Shareholders (the “**AGM**”) in May 2020 and if approved, will apply to payments made after that date and replaces the existing remuneration policy in its entirety. The Works Council was consulted for their advice in respect of (the changes to) this policy.

It is essential that we can attract, retain and motivate high caliber executives to the Executive Board. Their performance should be focused on creating long term value through contribution to a sustainable production of affordable energy through the design and production of (components for) steel foundations for offshore windfarms. The strategy of the Company aims at driving growth for the period 2019- 2021 by focusing on the optimization of the existing product portfolio and by offering add- on services to existing markets. For the period 2022 and beyond alternative product lines will be developed as well as new markets for the existing product portfolio. In pursuing this, perspectives of shareholders and other stakeholders should be balanced. This implies amongst others an alignment between shareholder returns, executive remuneration principles and the remuneration principles that apply more broadly in the Company. Main objectives of the strategy of the Company are a safe workplace, CO2 neutral production, a leading competitive position through product- and cost leadership and solid financial ratios.

This policy shall be posted on the Company’s website and will be subject to approval by the AGM every 4 years following May 2020.

## Article 2 General

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The remuneration structure should drive strong business performance, promote accountability and incentivize members of the Executive Board to achieve short and long-term performance targets with the objective of substantially and sustainably increasing the Company’s equity value, its social and its environmental performance.

The remuneration structure and level should ensure the overall market competitiveness of the remuneration packages, which may be granted to the members of the Executive Board. This policy aims at a total remuneration level around the median level of the external market. The peer group consists of industry peers plus a range of companies that are of a similar scale and level of complexity. In addition, the Company’s remuneration committee (the “**Remuneration Committee**”) will pursue that there is an alignment with the salary- and employment conditions of the employees of the company, partially expressed by the pay ratio level (average total pay per FTE of members of the Executive Board in comparison to a reference group of all Sif- employees).<sup>1</sup>

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<sup>1</sup> The pay ratio is calculated as the gross expense of all Sif- employees, members of the Executive and Supervisory Boards excluded. Gross expenses for all Sif employees include wages & salaries, social security contributions and pension expenses as reported in the financial statements. Comparable

# Draft Remuneration Policy for AGM Approval

The remuneration of members of the Executive Board shall be determined by the Supervisory Board, with due observance of this policy. The remuneration of the members of the Supervisory Board shall be determined by the General Meeting of Shareholders, with due observance of this policy.

When determining the remuneration of individual members of the Executive Board, the Supervisory Board shall analyze the possible outcomes of the variable short- and long-term remuneration components.

In determining the level and structure of the remuneration of the members of the Executive Board, the Supervisory Board shall make variable remuneration subject to predetermined criteria that promote ownership and that support both the achievement of short-term Company objectives and long-term value creation, taking into account that the portion of the variable remuneration should be appropriate relative to the portion of base remuneration. The Supervisory Board shall take into account, among other things, the results performance and non-financial indicators relevant to the Company's long-term objectives, all with due observance of the risks for the Company's business which may result from variable remuneration.

Members of Executive and Supervisory Boards are nominated for a 4-year period. The maximum term for members of the Supervisory Board is determined at 2 terms of 4 years each, eventually extended by 2 terms of 2 years each. Members of the Executive Board can be reappointed for a 4-year period without any limitation on the total duration of the membership of the Executive Board. The notice period for the termination of contract with members of the Executive Board is 4 months if notice is given by the Company and 2 months if notice is given by the member of the Executive Board.

Annually, a remuneration report will be presented to the General Meeting of Shareholders for their advice.

## Article 3 Composition of Remuneration

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The remuneration package for members of the Executive Board shall consist of:

- a. base salary;
- b. performance related short-term remuneration;
- c. performance related long-term remuneration (equity or equity related cash-equivalents);
- d. pension;
- e. allowances and benefits;
- f. severance payment.

The remuneration package for members of the Supervisory Board shall consist of:

- a. base salary;
- b. reimbursement of expenses.

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expenses for members of the Executive Board include base salary, employer's pension contributions, pension compensation, annual bonuses and social security and other payments as reported in the financial statements of the Company.

# Draft Remuneration Policy for AGM Approval

## Article 4 Base Salary

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Base salary levels are reviewed annually by the Remuneration Committee, without commitment to change them.

## Article 5 Performance Related Short-Term Remuneration

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Members of the Executive Board shall be eligible for short-term incentive awards, paid in cash.

Short-term incentives are designed to give focus to a range of strategically important annual objectives, both financial and non-financial. These objectives are targeted to deliver a level of performance in line with operational plans.

At the start of each financial year, the Remuneration Committee will consider the Company's priorities and will propose targets for the coming financial year for the members of the Executive Board to the Supervisory Board. At least 60% of the (target) STI will be based on the following financial metrics:

- Contribution<sup>2</sup>;
- EBIT (as percentage of Contribution)<sup>3</sup>;
- Return on average capital employed<sup>4</sup>

The relative weighing of the above targets and the addition of other (quantitative or qualitative) targets, like for sustainability, safety, and others, will be dependent of the short-term priorities of the Company.

These targets will include performance ranges. These performance ranges determine: (i) the performance level below which no payouts are made; (ii) the performance level at which 100% payout is made; and (iii) the performance level at which the maximum payout of is made.

At target, short-term incentives are 40% of base salary for the CEO and 35% for the other members of the Executive Board, and with a maximum amount of 60% (CEO) or 50% (other board members).

The Supervisory Board may award (additional) cash and/or equity bonuses to (members of) the Executive Board for specific transactions or other achievements that the Supervisory Board deems exceptional in terms of strategic importance and effect on the Company's results. The cash and/or equity bonus shall be dependent on achieving challenging and predefined criteria and, in case of equity bonuses, subject to approval by the AGM.

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<sup>2</sup> Contribution is defined as total revenue minus cost of raw materials, subcontracted work and other external charges and logistic and other project related expenses

<sup>3</sup> EBIT is defined as earnings before net finance costs and tax and normalized for incidental expenses or income

<sup>4</sup> ROCE is defined as EBIT as a percentage of equity plus loans and borrowings

# Draft Remuneration Policy for AGM Approval

## Article 6 Performance Related Long-Term Remuneration

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Long-term incentives are designed to give focus to the strategic priorities that will contribute to building sustainable long-term value, create alignment with the Company's shareholders and incentivize the continued service of the members of the Executive Board within the Company's organization.

Members of the Executive Board can be eligible for share price-related long-term incentive arrangements, as being part of their variable remuneration. Under this long-term incentive ("LTI") plan, conditional performance share units ("CPSUs") may annually be awarded that become unconditional at the end of a three-year vesting period and subject to continued employment. At their discretion, the Supervisory Board may make LTI awards to members of the Executive Board. The CPSUs represent the value of a number of underlying Company shares but will be settled in cash with a future possibility to settle in shares.

The maximum amount paid out will never exceed 20% of the base salary multiplied by the Share- price at the end of the vesting period divided by the Share- price<sup>5</sup> at the award date. The number of CPSUs that vest after three years may be lowered by a maximum of 30% in case predefined performance conditions have not been met. In the case of shares, there will be an additional two-year blocking period<sup>6</sup>.

## Article 7 Pension, Allowances and Benefits

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The Company offers the members of the Executive Board the opportunity to join the Company's pension scheme which is based on the scheme of the industry's Pension Fund for Metal & Technique (*Pensioenfond Metaal & Techniek*) supplemented by the Company's extended pension scheme. The Company and the member of the Executive Board may agree upon an alternative pension scheme, based on defined contribution, whereby the Company's contribution will not exceed the premium that the Company would otherwise have paid for pension under the Company's pension scheme.

The members of the Executive Board may be eligible for a range of other allowances and/or benefits as determined by the Supervisory Board from time to time. These may comprise elements based on general local practice, including the use of a company cell-phone and/or company car, social security contributions, contributions to healthcare costs and annual cost allowances; and/or relate to specific circumstances, such as costs relating to relocation, accidental and health insurance, housing, education and travel. The Company does not grant loans, advance payments or guarantees to its Executive Board members.

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<sup>5</sup> Share- price is the weighted average of the share price over the last three months prior to the stated date.

<sup>6</sup> To illustrate the proposal on the basis of the 2017 base salary of € 355.000 for CEO: a. award max 20% of base salary = € 71.000; share price at award date = € 20; share price at vesting date = € 30, than cash bonus is € 106,500 or share price at vesting date = € 10, than cash bonus is € 35,500.

# Draft Remuneration Policy for AGM Approval

## Article 8 Severance Payment

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The members of the Executive Board may be eligible for severance payment upon early termination of office as determined by the Supervisory Board. Severance payments do not reward failure and shall not exceed the Executive Board (member)'s annual base salary.<sup>7</sup>

## Article 9 Supervisory Board Remuneration

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The remuneration structure should enable the Company to attract members of the Supervisory Board with the skills and experience needed to select, nominate, remunerate, supervise, support and advise Executive Board and members of the Executive Board on the strategy of the Company and the execution thereof.

Members of the Supervisory Board receive a basic fee. Business expenses are paid or reimbursed by the Company.

Supervisory Board remuneration is independent of Company results and not tied to Company performance.

## Article 10 Malus and Claw Back

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The Company has the right to reduce payments that are not yet paid out and to demand repayment of a short-or long-term incentive, in whole or in part, to the extent that payment was made on the basis of incorrect information regarding the achievement of the targets underlying the bonus or regarding the circumstances on which the bonus was dependent (regardless of the terms of any contractual arrangements with the member of the Executive Board concerned). The Supervisory Board members may furthermore adjust the variable remuneration to an appropriate level if payment thereof is unacceptable according to the requirements of reasonableness and fairness.

## Article 11 Amendments and Derogation

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Pursuant to a resolution to that effect, the General Meeting may amend or supplement this policy at the proposal of the Supervisory Board, where relevant after having taken into account the position of the Works Council in respect of such amendment or supplement.

Before proposing any amendment to this policy, the Supervisory Board shall analyze the possible outcomes of the variable remuneration components and how they may affect the remuneration of the members of the Executive Board, if and to the extent that such amendment constitutes a material change in the relevant provisions of this policy relating variable remuneration.

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<sup>7</sup> Rights under LTI and/or STI plans are not part of the severance payment and will be settled in accordance with these plans. The director is not entitled to a compensation if the director resigns at his own initiative

## **Draft Remuneration Policy for AGM Approval**

The Supervisory Board may, upon recommendation of the Remuneration Committee, deviate from the policy if circumstances provide valid reasons to do so (e.g. for management continuity purposes). This may concern all aspects of the policy. Deviations shall be aligned with the main objectives of the policy applying a consistent approach.