

For the evaluation of the remuneration of the Management Board, the Supervisory Board takes into account the short-term company performance for 2019 and the long-term Aalberts non-financial objectives and financial objectives 2018-2022. Despite more difficult market circumstances, Aalberts achieved a solid and resilient performance in 2019.

### **remuneration policy of the Management Board**

The remuneration policy of the Management Board was last amended and approved by the General Meeting in 2010. There were no amendments to Aalberts' remuneration policy in 2019. The objective of the remuneration policy is to recruit, motivate and retain qualified and experienced directors with industry experience for the Management Board. The remuneration structure for the Management Board is aimed at the best possible balance between the company's short-term results and its long-term goals. The total remuneration of the Management Board members comprises the following components:

- a fixed base salary;
- a pension plan;
- variable remuneration in cash for achievements in the short-term (one year);  
and
- value remuneration in shares for achievements in the long-term (three years).

The aim is to achieve a good balance between fixed and variable remuneration and short-term and long-term remuneration.

The remuneration policy is currently under review in view of changes in Dutch law following implementation of the Shareholder Rights Directive II. An updated version will be presented to the annual General Meeting in 2020.

### **fixed and variable remuneration of the Management Board**

The aggregate fixed and variable remuneration of the members of the Management Board for 2019 amounted to EUR 3.5 million (2018: EUR 4.2 million) and is determined in accordance with the remuneration policy. The remuneration of the individual Management Board members split out by component is reflected in the table on page 2.

### **application remuneration policy**

In accordance with the Articles of Association, the remuneration of the Management Board members has been set by the Supervisory Board. The remuneration of the individual Management Board members, including share-based remuneration, is in accordance with the remuneration policy. Scenario analyses have been performed in conformity with the Code and have been taken into account by setting the remuneration.

### **fixed remuneration**

The fixed remuneration of the Management Board consists of a base salary and a pension plan.

### **base salary**

Once a year, the Supervisory Board determines whether, and if so, to what extent the base salary will be adjusted, taking into account developments in the market, the reward structures of peer group companies, the results of Aalberts and the pay ratio within the Aalberts group.

## pension plan

The Management Board members participate in a pension plan (average pay or defined contribution pension plan). The pension plan includes two contribution arrangements, dependent on annual pensionable salary levels:

- basic arrangements for that part of the annual pensionable salary up to EUR 107,593 (2019);
- net surplus arrangement for that part of the annual pensionable salary above EUR 107,593. The employer contributions to this arrangement are made to participants in the form of gross cash compensation subject to tax withholdings, which can be used to fund a voluntary net defined contribution plan.

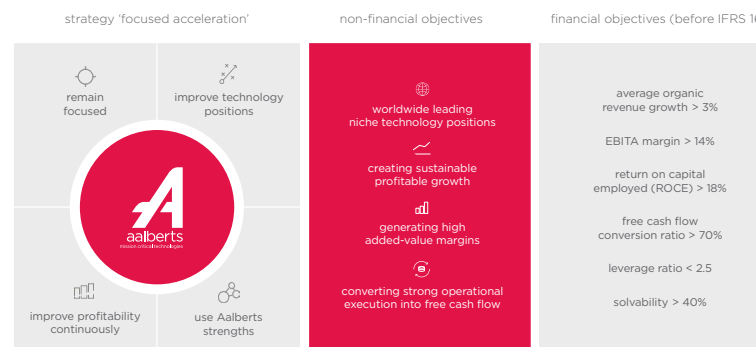
Management Board members pay one-third of the contribution for the basic arrangements.

## non-fixed remuneration

The non-fixed remuneration consists of variable remuneration in the form of short-term incentives (STI) and value remuneration in the form of long-term incentives (LTI) and is an important component of the remuneration package. The distribution between the STI and the LTI aims to achieve an optimal balance between short-term result and long-term value creation. The non-fixed remuneration relates to the 5-year business plan of Aalberts as reflected

in the non-financial and financial objectives 2018-2022 under the strategy 'focused acceleration'. The Aalberts 5-year business plan is based on the plans of the business teams, which are discussed and evaluated each year with the Management Board during the strategy & forecast meetings.

The Aalberts non-financial objectives and financial objectives 2018-2022 (the **Aalberts Strategic Objectives**) are the following:



name and position of Management Board member	fixed remuneration		variable remuneration	total remuneration	value remuneration	proportion of variable remuneration (in %)
	base salary (in EUR 1,000)	pension plan (in EUR 1,000)	STI* (in EUR 1,000)	(in EUR 1,000)	LTI** (in number of shares)	
Wim Pelsma (CEO)	780	154	507	1,441	0	35.2
Arno Monincx (CFO)	450	72	293	815	0	36.0
Oliver Jäger (member of the Management Board until 31 December 2019)	510	0	332	842	0	39.4
John Eijgendaal (CFO until 17 April 2019)	205	37	154	396	0	38.9
<b>Total</b>	<b>1,945</b>	<b>263</b>	<b>1,286</b>	<b>3,494</b>	<b>0</b>	<b>36.8</b>

\* The STI is reflected in this table as the STI awarded over the financial year 2019.

\*\* The LTI is reflected in this table as the number of shares vested in 2019 under the current PSPs.

### short-term incentives (STI)

The STI is an important component of the remuneration package to reward short-term performance in line with the long-term Aalberts Strategic Objectives, combined with additional individual non-financial performance goals. The Supervisory Board sets the yearly financial targets based on the targets for that year, in line with the Aalberts Strategic Objectives and the individual non-financial targets at the beginning of each financial year and these are evaluated in a personal conversation after the end of each financial year. The individual non-financial criteria are not disclosed, as these qualify as commercially sensitive information. Depending on the level of achievement of the targets, the STI can add from a minimum of 0% up to a maximum of 75% to the base salary. If the non-financial and financial targets are achieved for exactly 100% (on an individual basis or mutually compensated), the STI adds maximum 75% to the base salary. The achievement of the financial targets on an individual basis is between a minimum of 90% and a maximum of 110%. The weighting of the non-financial targets and the financial targets is 20% and 80% respectively. If the non-financial targets are achieved for 0% and all financial targets are achieved for a percentage under 90%, the STI will be 0, which endorses the pay for performance principle.

The Supervisory Board has established the extent to which the STI targets set for 2019 has been achieved. This results in an average overall achievement of the non-financial and financial targets of 87%. In accordance, the STI awarded over the financial year 2019 is 65% of the base salary.

### long-term incentives (LTI)

The value remuneration in the long-term for performance of Management Board members is in the form of a conditional awarding of shares. Under the Performance Share Plan (**PSP**), shares will conditionally be granted to Management Board members. Vesting of these shares is conditional on the achievement of certain predetermined performance targets at the end of a three-year period. The long-term performance criteria attached to the granting of the performance shares relate to the implementation of the Aalberts Strategic Objectives over a three-year period (the **performance period**). The Supervisory Board determines upfront how many shares will

be conditionally awarded to the Management Board members. The vesting of the performance shares is subject to the achievement of the company's average growth of the earnings per share before amortisation (**EPS**) over the performance period, in accordance with the vesting schedule as included in the PSP. The vesting schedule reflects that the actual number of performance shares to be released after the performance period can be a number between 0% and 125% of the shares that have been conditionally awarded. If the average annual growth of EPS in the Performance Period equals 10%, then 100% of the performance shares will vest and will be released.

Shares awarded conditionally must be held for at least five years (three years vesting period plus two years holding period) or until the end of the employment contract, if this is sooner. Given this five-year period Management Board members are driven and motivated to contribute to the realisation of the Aalberts Strategic Objectives, creating long-term value creation for the stakeholders of Aalberts. Upon the release of the performance shares, personal tax and social contribution obligations arise for the Management Board members. The holding period of five years does not apply if the shares are sold to pay these tax and social contribution obligations.

Wim Pelsma (CEO) held a total number of 120,075 (2018: 114,075) ordinary shares in Aalberts at year-end. Of this number 19,000 shares are subject to a holding period of 2 years pursuant to the vesting and release of shares in 2018 under the PSP 2015-2017. The number of conditional performance share awards that were granted in 2019 (PSP 2019-2021) amounted to 35,000 shares for which kEUR 213 was charged to the income statement. Of the 35,000 conditional shares that were granted in 2017 (PSP 2017- 2019), 83% will vest in June 2020 as the average annual growth of the EPS was 8.3% in the performance period. For those shares kEUR 228 (2018: kEUR 413) was charged to the income statement.

Arno Moninx (CFO) held a total of 6,250 (2018: 6,250) ordinary shares in Aalberts at year-end. These 6,250 shares are subject to a holding period of 2 years pursuant to the vesting and release of shares in 2018 under the PSP 2015-2017. The number of conditional performance share awards that were

granted in 2019 (PSP 2019-2021) amounted to 15,000 shares for which kEUR 91 was charged to the income statement. Of the 15,000 conditional shares that were granted in 2017 (PSP 2017-2019), 83% will vest in June 2020 as the average annual growth of the EPS was 8.3% in the performance period. For those shares kEUR 98 (2018: kEUR 177) was charged to the income statement.

John Eijgendaal (CFO until April 2019) held a total of 170,000 (2018: 170,000) ordinary shares in Aalberts at year-end. Of this number, 18,007 shares are subject to a holding period of 2 years pursuant to the vesting and release of shares in 2018 under the PSP 2015-2017.

Oliver Jäger (member of the Management Board until 31 December 2019) held a total of 31,807 (2018: 30,807) ordinary shares in Aalberts. Of this number 18,750 shares are subject to a holding period of 2 years pursuant to the vesting and release of shares in 2018 under the PSP 2015-2017. The number of conditional performance share awards that were granted in 2019 (PSP 2019-2021) amounted to 15,000 shares for which kEUR 91 was charged to the income statement. Of the 15,000 conditional shares that were granted in 2017 (PSP 2017-2019), 83% will vest in June 2020 as the average annual growth of the EPS was 8.3% in the performance period. For those shares kEUR 98 (2018: kEUR 177) was charged to the income statement.

The total remuneration of the members of the Management Board for 2019, including the amounts charged to the income statement for the LTI, amounted to EUR 4.3 million (2018: EUR 6.1 million).

#### **sustainable profitable growth**

The Supervisory Board took note of the individual Management Board members' views with regard to the amount and structure of their own remuneration. Within the framework of the Code and the best practice principles contained therein, the Supervisory Board has implemented the remuneration policy in line with the strategy, long-term value creation objectives, risks and (non-)financial objectives of Aalberts.

The Supervisory Board believes that the total remuneration package is a sound balance to realise the Aalberts Strategic Objectives. The remuneration package encourages the Management Board members to deliver solid results every year and to relentlessly execute the Aalberts strategy 'focused acceleration' 2018-2022.

#### **pay ratio**

Aalberts' personnel expenses are specified in note 22 of the financial statements and include wages and salaries, social security charges, defined benefit plans, defined contribution plans and other expenses related to employees. For the calculation of the average employee compensation, the LTI and the total remuneration of the members of the Management Board are excluded from these expenses. For the calculation of the pay ratio as prescribed by the Code, the average annual compensation for the Management Board members is based on salary, pension contribution and STI and excludes the LTI.

As a result, the pay ratio in 2019 was 20.4 (2018: 21.5).

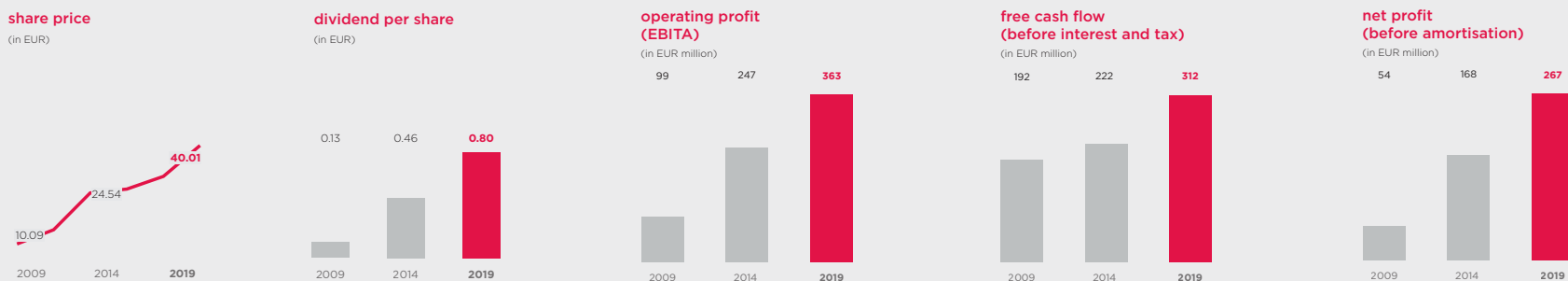
#### **comparative information**

The table on page 5 provides information on the annual change of remuneration of each individual member of the Management Board, of the performance of the company and of average remuneration on a full-time equivalent basis of employees of the company other than Management Board members over the five most recent financial years.

	2015		2016		2017		2018		2019	
	fixed and STI (in EUR 1,000)	LTI* (in number of shares)	fixed and STI (in EUR 1,000)	LTI* (in number of shares)	fixed and STI (in EUR 1,000)	LTI* (in number of shares)	fixed and STI (in EUR 1,000)	LTI* (in number of shares)	fixed and STI (in EUR 1,000)	LTI* (in number of shares)
<b>annual change</b>										
<b>Management Board member remuneration</b>										
W.A. Pelsma (CEO)	1,129	0	1,301	14,600	1,371	0	1,441	37,500	1,441	0
A.R. Monincx (CFO) (as from 1 May 2017)	-	-	-	-	455	0	794	12,500	815	0
O.N. Jäger (until 31 December 2019)	683	0	770	7,300	805	0	857	18,750	842	0
J. Eijgendaal (CFO until 17 April 2019)	997	0	1,028	14,600	1,085	0	1,140	31,250	396	-
<b>company performance</b>										
organic revenue growth %	1.1		1.1		5.5		4.6		1.1	
EBITA	272		298		336		366		363	
EPS	1.72		1.92		2.15		2.49		2.42	
FCF	243		273		310		312		312	
<b>average remuneration on a full-time equivalent basis of employees</b>										
employees of the group	47.9		47.7		48.1		49.2		51.4	

\* LTI is reflected in this table as number of shares vested under a PSP in the relevant financial year.

The KPI and share price development over a 10-years period is as follows:



### miscellaneous

In the context of the Dutch Claw Back Act, the Supervisory Board saw no reason to revise an incentive prior to payment nor to claw back an incentive. There are no specific arrangements for early termination of employment and resignation of the members of the Management Board. Aalberts did not provide any loans to Management Board members.

### update

Each year, the Supervisory Board reviews the Management Board remuneration policy and assesses its alignment with the market in more detail. An updated version of this policy will be submitted to the General Meeting in 2020.

### remuneration policy Supervisory Board

The current amounts of the general fee, the committee fees and the chairmanship fee are approved by the General Meeting on 18 April 2017 and effective as per 1 April 2017.

The total remuneration of the Supervisory Board members comprises of the following components:

	EUR
a general fee for membership of the Supervisory Board	45,000
a committee membership fee / a committee chairmanship fee	5,000 / 10,000
a fee for chairmanship of the Supervisory Board	15,000

### remuneration Supervisory Board (amounts in EUR 1,000)

The following fixed individual remuneration were paid members of the Supervisory Board in accordance with the remuneration policy. The table also reflects the annual change of remuneration of each individual member of the Supervisory Board over the five most recent financial years. Information on performance of the company and average remuneration of employees is provided on page 5.

	2019	2018	2017	2016	2015
M.C.J. van Pernis	65	65	58	40	40
M.J. Oudeman	55	55	39		
P. Veenema	50	50	46	30	
J. van der Zouw	55	55	49	40	30
<b>Total</b>	<b>225</b>	<b>225</b>			

No loans, advances or guarantees have been granted to the members of the Supervisory Board. No options have been granted to members of the Supervisory Board and at year-end they did not hold any shares in Aalberts.